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JAPAN PROPERTY
Sums of the rising land
Page 17

Share prices rise on new Gulf optimism

Global equity prices rose on new hopes of a negotiated peace in the Gulf and Sunday's tentative US budget agreement. Crude oil and gold prices were lower.

However, the lack of strong follow-through in London and on Wall Street to a record 13.24 per cent jump in the Tokyo stock market's Nikkei average yesterday and Monday's sharp rise in US stocks showed that many investors are still taking a cautious view of current developments. Page 16; World stock markets, Page 40

JOHN FAIRFAX, privately held group which owns three of Australia's four leading newspapers, warned that deteriorating trading conditions could push it into a breach of borrowing agreements within two months. Page 20

NISSAN plans to export about 10,000 cars a year from its UK assembly plant to Japan and Taiwan, the first move by a Japanese vehicle maker to ship cars from Europe to Asia. Page 18; Peugeot's chief attacks Britain on Japan plants, Page 5; Lower tax pushes Peugeot to FFr4.95bn, Page 18

SEARS, UK clothing and footwear group, said taxable profits in the six months to July 31 fell 32 per cent to £62.4m on sales 5 per cent ahead at £1.03bn (£981m). Page 17

SOCIETE Générale de Belgique, Belgium's largest company, announced a steep fall in profits for the first half of 1990. Page 18

NEXT, UK high street fashion and Grattan mail order retailer, said it was not issuing a statement after its shares fell more than a fifth, closing down 6½p at 22p, valuing the group at £80.8m. Page 26; London Stock Exchange, Page 28

World News

Hijack crash in China kills 120 people

A hijacked Chinese Boeing 737 crashed and exploded killing 120 people after it hit two parked aircraft at Canton airport. Officials said there was a bomb on board. Page 6

French Gulf shots

A French frigate patrolling the Gulf fired warning shots across the bow of a North Korean ship which refused to stop when ordered. Page 4

Cabinet reshuffle

President François Mitterrand reshuffled the French cabinet, dropping Edith Cresson as minister for European affairs and replacing the Minister of Agriculture. Page 3

Zulus refuse talks

South African Zulu leader Chief Mangosuthu Buthelezi refused to meet the African National Congress for talks aimed at ending township violence. Page 6

Papandreou ill

Former Greek prime minister Andreas Papandreou, 71, who had a heart operation two years ago, was rushed to hospital from parliament. Page 3

Nigeria debt hope

An early resolution of the five-month deadlock over rescheduling terms for Nigeria's $5.5bn commercial bank debt appeared likely yesterday after a meeting between senior Nigerian officials and creditor banks. Page 6

Rebels attacked

The West African peacekeeping force in Liberia attacked main rebel leader Charles Taylor with heavy artillery.

Polish poll date set

Poland set November 25 as the date for presidential elections.

Vast crowds at festivities in Berlin ● French, US and British flags lowered ● Volkskammer dissolves itself

Germans celebrate end of partition

By David Marsh and Leslie Colitt in Berlin

GERMANY was reborn as a united country last night in a celebration which finally swept liberal democracy 200 miles eastwards across central Europe and ended the most enduring legacy of the Second World War.

In an evening of pomp and highly charged emotion in the old Prussian capital, vast crowds gathered at the rebuilt Reichstag in the centre of Berlin to watch a midnight hoisting of the black, red and gold German flag, bringing down the curtain on 41 years of German partition.

As dusk fell, an expectant throng pressed around the floodlit Brandenburg Gate – for so long the symbol of the divided city – to watch a giant hot air balloon shimmering in the light of a full moon.

Berliners swung sausage stands into place to feed the expected masses in advance of the night's festivities.

Chancellor Helmut Kohl and the cream of the German political and social establishment were gathering at the Schauspielhaus (theatre) in East Berlin for a rendering of Beethoven's 9th symphony – reaching a climax with the "Ode to Joy" – under the Leipzig conductor Kurt Masur.

Thousands of Berliners and guests in holiday mood arrived early in the evening for festivities on Unter den Linden boulevard and Alexanderplatz in East Berlin.

There the entertainment included the massed bands of the three Allied armies in West Berlin and the Soviet Army in East Germany under the baton of the conductor of the East Berlin symphony orchestra.

The commanders of the Allied forces which defended West Berlin against communism for 45 years had earlier handed back sovereignty to the reunited city in a symbolic ceremony. Soldiers lowered the French, US and British flags outside the Allied headquarters in the West Berlin suburb of Dahlem to the sound of bugles as generals of the three countries saluted.

After 41 years, East Germany's parliament, the Volkskammer, dissolved itself just hours before unity. Ms Sabine Bergmann-Pohl, Speaker of the house, one of 144 deputies due to join the all-German parliament along with members of Bonn's Bundestag, thanked the legislators for their work since the country's first democratic elections last March.

"Tomorrow we will be able to say we have completed our mission to achieve German unity in free self-determination," she told the members of parliament assembled in the State Council building in East Berlin.

The marble-and-glass headquarters of the 400-member Volkskammer (People's Chamber) was closed last month after dangerously high levels of asbestos were found there.

Several speakers called for understanding of the problems East Germans had during the 41 years of communist rule imposed in what was the Soviet occupation zone.

Gregor Gysi, head of the reformed communists, also urged rich westerners not to be self-righteous towards their new colleagues in the all-German parliament.

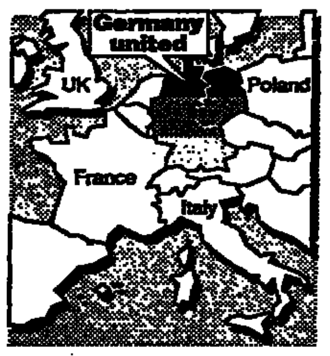
In a demonstration of renewed rights, Lufthansa, the national airline, flew two airliners full of deputies to Berlin's Tegel airport yesterday from Hamburg and Cologne – the first Lufthansa flights to West Berlin since 1945.

But many Germans' readiness to join in the festivities was tempered by fears of growing unemployment in East Germany, as well as worries about excessive nationalism.

Berlin's police force, united since Monday and supported by nearly 600 border policemen from West Germany, was braced for possible anarchist demonstrators who had threatened to disrupt the unity ceremonies.

The Democratic Socialist Party, successor to the former Communist Party, cancelled its planned rally in East Berlin to mark the end of East Germany. The police and Interior Ministry had warned that the safety of participants could not be assured.

ON OTHER PAGES



The three allied commandants of the US, Britain and France salute as the Stars and Stripes is hauled down for the last time at a ceremony in Berlin yesterday

Kohl stresses need for solidarity to overcome economic challenge

By David Marsh

MR Helmut Kohl, who last night became the first chancellor of a democratic, unified Germany since Hitler's takeover in 1933, said in a nationwide television and radio address that a "dream" was being realised.

"After more than 40 bitter years of division, Germany, our Fatherland, is being united again," he said. "This is one of the happiest moments of my life."

Mr Kohl underlined the need for "solidarity" to overcome the economic challenge of unity. Although he said he was confident that the economic problems could be solved in the foreseeable future, he warned: "Everyone knows that a difficult path lies ahead of us."

He added that the economic buoyancy of West Germany meant that "there could not be a better moment for mastering the economic tasks of reunification" but acknowledged that this could not be done overnight.

Mr Kohl said: "We thank our partners, we thank our friends. We thank in particular the United States of America, above all President George Bush." He also extended thanks to France and Britain for "always supporting us in difficult times" and added his gratitude to the reform movements which swept away communism in a number of countries in eastern Europe.

Today's Unity Day would not have been possible without President Mikhail Gorbachev, he added. He also mentioned Hungary, for allowing East German refugees into Austria, and the reform movements in Poland and Czechoslovakia "which gave the people of East Germany the courage to stand up for their rights".

"We Germans have learned from history. We are a peace-loving, freedom-loving people," he said. In an article published yesterday in the Frankfurter Allgemeine Zeitung, Mr Kohl wrote:

"Everyone should know: Germany will not go it alone, there will be no unilateral nationalism and no 'restless Reich'."

Mr Lothar de Maizière, the outgoing East German prime minister who becomes deputy to Mr Kohl in the run-up to elections in December, stressed that the act of union did not conclude the unification process. This remained a social task of all Germans.

"Unity should not merely be paid for but desired from the heart", he said. Union represented the "end of some illusions" and "a farewell without tears".

Mr Oskar Lafontaine, the Social Democrat candidate for chancellor, called for a social union of the two Germanys.

Mr Lothar de Maizière, whose East German wing of the ruling Christian Democrats, is expected to push the party somewhat leftwards, said in East Berlin that the end of an ideology that has been a bitter disappointment for many people should not lead "to the destruction of belief in all ideals".

He warned that many shadows of East Germany's past would leave their mark for years to come.

"We want to honestly and comprehensively work out this chapter in our history," Mr de Maizière said, adding that the past should not be allowed to create new divisions in the future.

In spite of the worries of many citizens, the end of the East German state was at the same time a great change for the better which history only seldom offered. "We really all have cause for joy and thankfulness. We can make a new beginning," he said.

Ozal intervenes in Polly Peck affair

By Alan Friedman in New York and Our Financial Staff in London

PRESIDENT Turgut Ozal of Turkey complained about the treatment of Polly Peck International, the UK-based fruit trading and consumer electronics company, in a private meeting at the weekend with Mrs Margaret Thatcher, the British prime minister.

An aide to Mr Ozal said the president demanded that Mrs Thatcher explain whether or not there were proven allegations of wrongdoing by the company or by Mr Asil Nadir, its chairman, who is his friend and close political ally. Mrs Thatcher is understood to have told him that the affair was not a matter for the British government, but rather for the Serious Fraud Office.

This emerged yesterday after Polly Peck had broken its silence late on Monday night to admit that it had "liquidity problems" which would be discussed on Friday by a meeting of its banks and other lenders.

Mr Nadir disclosed personal "problems of liquidity" which directly contributed to the price collapse and suspension of trading in Polly Peck shares on September 20. The shares remain suspended.

Mr Nadir said that 10m shares in which he had an interest were sold during the chaotic pre-suspension trading on September 20 during which the price more than halved. The shares were sold by banks which had been holding them as collateral on loans.

According to a senior Turkish aide, Polly Peck is seeking the help of Kidder Peabody, the Wall Street investment bank, in negotiations with Standard Chartered and other bank creditors that are set to take place between today and Friday.

The talks concern more than £100m ($188m) of Polly Peck's short-term bank borrowings to be rolled over.

In New York, Kidder Peabody declined to comment on Polly Peck, saying the company did not discuss its clients. But the Turkish official said Kidder Peabody executives were travelling to London to join the Polly Peck bank talks.

The official said Polly Peck's talks with Standard Chartered and other UK banks were being handled separately from a possible Turkish bank package that could provide the company with bridging funds to stave off a liquidity crisis.

Mr Nadir met Mr Ozal, Mr Gunes Taner, minister for economic affairs, and several Turkish bankers in New York at the weekend to discuss prospects for a Turkish rescue package.

The Turkish officials gave their implicit support for the package, but action on the rescue has been delayed so as to allow the London bank talks to go forward first. Among the possible options being considered is financial support from either Turkish state or private banks.

One leading Turkish banker said last night that Turkish banks were not geared up to provide a £100m guarantee. "Why should Turkish banks give a guarantee to UK banks?" he asked.

Polly Peck, in its long-awaited statement late on Monday night, gave little extent of possible support from Turkey. It said only that it "draws considerable encouragement from the degree of interest shown by that [the Turkish] government."

Mr Nadir, in a personal statement, added only that his talks had been held "with a view to arrangements being made, in the near future, that will restore confidence in Polly Peck and financial stability to the market in its shares."

Mr Nadir said he was planning to visit Ankara later this week.

Senior officials in both the Turkish and UK governments confirmed that the Polly Peck issue was raised by Mr Ozal, who is said by aides to be upset by the swirl of rumours concerning both the company and Mr Nadir.

The Turkish president is also said to have warned that bilateral relations between Ankara and London could be affected over the Polly Peck affair and to have also raised the issue of negotiations over the future of Cyprus.

A UK official confirmed that the Cyprus issue was discussed by Mr Ozal and Mrs Thatcher, but maintained that the subject was not broached in the context of Mr Nadir or Polly Peck.

The credit ratings of Polly Peck International Finance, a wholly owned subsidiary of Polly Peck, were downgraded yesterday by Moody's, affecting over $600m of debt.

Lex, Page 16; The Polly Peck affair, Page 23

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Peugeot's chief attacks Britain over Japanese assembly plants

Mr Jacques Calvert, the chairman of Peugeot, France's top car manufacturer, yesterday attacked the UK Government for allowing more Japanese assembly plants to be set up in Britain
Page 5.

MARKETS

STERLING
New York close
$1.893 (1.883)
London:
$1.8885 (1.8895)
DM2.9375 (2.9325)
FFr9.84 (9.825)
SFr2.44 (2.436)
Y258.5 (258.75)
£ index 93.5 (93.5)

GOLD
New York: Comex Dec
$393.9 (391.6)
London:
$388.75 (396.5)

N SEA OIL (Argus)
Brent 15-day Nov
$35.2 (37.125)

Chief price changes yesterday: Page 17

DOLLAR
New York close
DM1.54965 (1.5585)
FFr5.192 (5.2215)
SFr1.28 (1.2965)
Y136.73 (136.7)
London:
DM1.555 (1.5515)
FFr5.21 (5.20)
SFr1.292 (1.289)
Y136.9 (136.9)
$ index 62.5 (62.4)
Tokyo close: Y136.73

US closing rates
Fed Funds 8¼% (8)
3-mo Treasury Bills:
yield: 7.39% (7.34)
Long Bond:
99$\frac{5}{32}$ (96$\frac{7}{8}$)
yield: 8.82% (8.85)

STOCK INDICES
FT-SE 100:
2,058.5 (+27.7)
FT Ordinary:
1,594.7 (+21.7)
FT-A All-Share:
991.56 (+1.3%)
New York close
DJ Ind. Av.
2,505.2 (-10.64)
S&P Comp
315.21 (+0.37)
Tokyo: Nikkei
22,898.41 (+2,676.55)

LONDON MONEY
3-mon Intbk: closing
14[illegible]-14[illegible]% (14[illegible])
Life long gilt future:
Dec 83 (82[illegible])

GERMANY UNITES

Soviet Jew immigrants testify to new attitude

A LONG queue of Soviet Jews outside an advisory office in East Berlin's Mauerstrasse yesterday testified to a remarkable change in the attitude towards Germany of many of its former victims.

Like their fellow Jews, Josef and Ida Weizman from the Ukraine had come to seek a new life, free of persecution, in a united Germany.

"Why have I come to Germany?" Mrs Weizman said, shrugging her shoulders. "Germany is a civilised country and feels a sense of guilt for what it did," she explained softly.

Taking the road to Germany was not, however, easy. Mrs Weizman was rescued from the Jewish Ghetto in Vinkovtsi by a Ukrainian peasant woman in 1941 when she was only 12 and was hidden under straw until the Soviet Army returned in 1944. Her father and brother were among the 6,000 Jews killed by the Nazis in the ghetto.

Her husband said: "It's strange but I feel less fear here than in the Ukraine." He lost his parents in the same ghetto and fought against the Nazis in the Soviet Army.

Like other Soviet Jews they were afraid that a resurgence of Russian and Ukrainian nationalism would end in pogroms. They left behind two grown sons, fearful that they would not be allowed out because of "security reasons", said Mr Weizman said, fighting back the tears.

Another Jewish couple from the Ukraine, Natalia Goncharova and her husband Oleg, both in their mid-thirties, said they emigrated because of fear of Ukrainian nationalism. Like the others they said they did not want to go to Israel because of the danger of war in the Middle East.

Despite the searing experience of the Second World War, many Jews – and non-Jews – in the Soviet Union continued to admire German culture and technical prowess. Soviet Jews were prominent among Russians who sought contacts with East Germany after 1945.

But the decision to move to Germany was only taken after the new East German government offered earlier this year to provide a home to Soviet Jews.

Mr Heinz Galinski, head of the Central Council of Jews in Germany, said that nearly 2,000 Soviet Jews had emigrated to East Germany since last year and that the number of arrivals was growing. The influx represented more than a doubling of the previous aged Jewish population in East Germany. He said he favoured allowing an even greater number of Soviet Jews into former East Germany and would speak about this to Mr Wolfgang Schäuble, the West German interior minister.

Mr Galinski said he felt neither euphoria nor hysteria about German unity, but instead realism. For him it was a day to reflect. "I only hope there will be no anti-semitism, neo-Nazism or resentment against foreigners although we do observe unpleasant phenomena in the GDR and East Berlin," he said.

It is the 130,000 Turks in West Berlin who are likely to bear the brunt of any surge in resentment against foreigners. Many are worried about losing their jobs to the high number of unemployed East Berliners.

Ms Selver Mengüsoglu, a Turkish adviser to the West Berlin Commissioner for Foreigners, said many Turks in Berlin were pleased about German unity but had not wanted to take part in the unification process because they came from rural areas and found it difficult to express themselves.

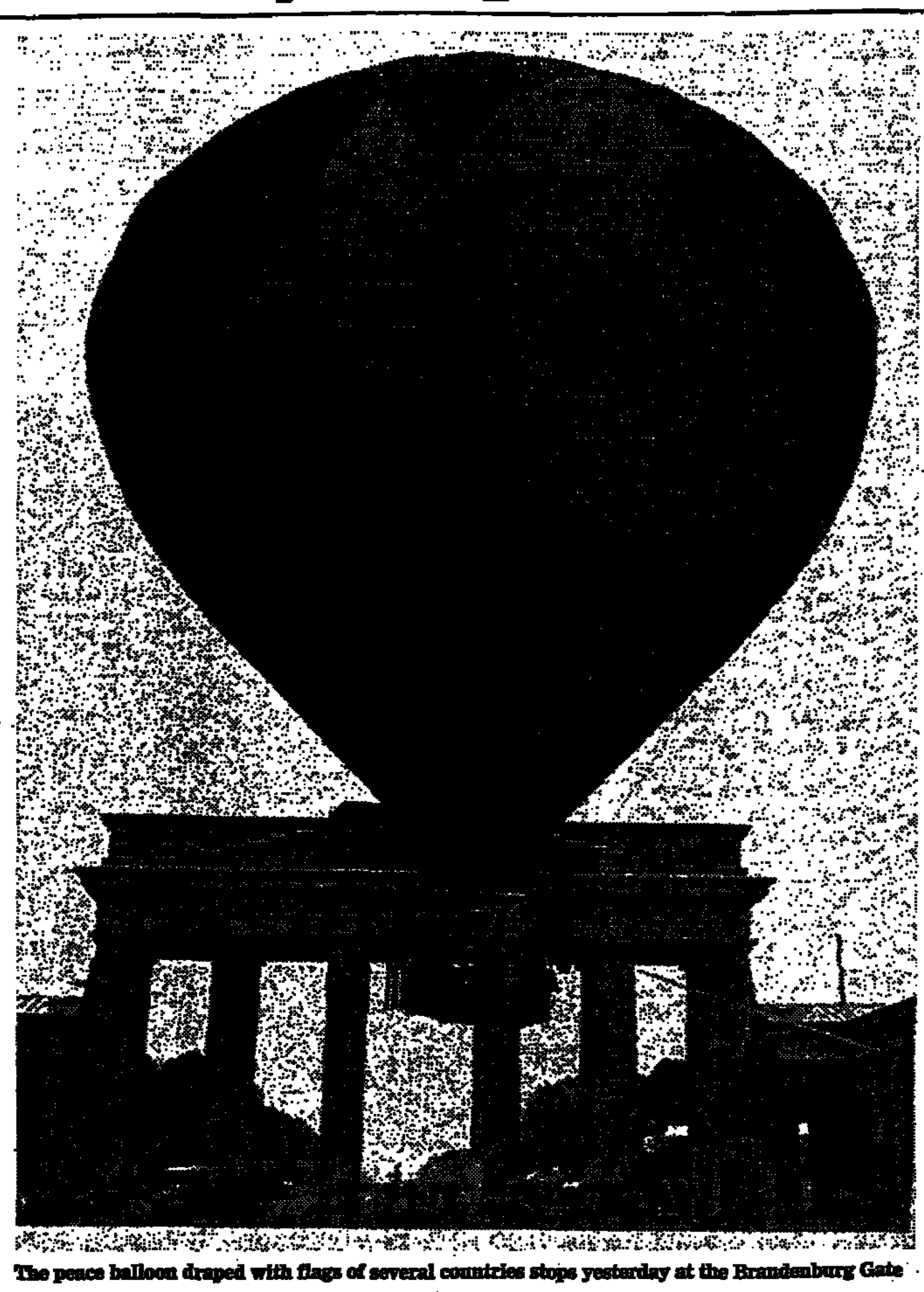
But she said some Turks also feared East Germans, who were not used to living with foreigners. Foreigners in East Germany made up 1.2 per cent of the population compared with 8 per cent in West Germany.

"East Germans believe that if they can get rid of the foreigners here then their employment problems will vanish," Ms Mengüsoglu said. Unfortunately, German politicians, in their enthusiasm over unification, had failed to explain that the structural problems East Germans faced had nothing to do with the foreigners.

Leslie Colitt

ISRAEL'S Holocaust Remembrance Authority yesterday expressed its "deep anxiety" over German unification, writes Hugh Carnegy in Jerusalem. The organisation made a last-minute appeal to German leaders to include acceptance and recognition of Germany's "historical responsibility for the Holocaust" in all unification agreements.

Directors of the authority, Yad Vashem, who effectively speak for the nation on the subject, said in a declaration sent to President Richard von Weizsäcker that they accepted unification as inevitable. But they noted that "it was a united Germany, under Nazi rule, which brought upon the Jewish people the most horrendous tragedy of this generation – the death of six million Jews, the destruction of thousands of communities and the uprooting of a rich and age-old culture."



The peace balloon draped with flags of several countries stops yesterday at the Brandenburg Gate

Growth forecasts show stark contrast between Germanys

EAST German industrial production will fall by 10 to 15 per cent next year after an even steeper fall this year, the Bonn finance ministry said yesterday, highlighting the stark contrast with West German growth.

West German industrial production rose 5.3 per cent in July and August over the same period last year, the economics ministry announced. Output by the food industry leapt 17 per cent, benefiting most clearly from the opening up of East Germany.

The extra growth in West Germany will help to cover some of the costs of restructuring in East Germany – and of cushioning it from collapse. For the next two years, between one-third and one-half of East Germany's GNP – estimated at about DM280bn (£95bn) – will flow directly out of Bonn's coffers.

That will require all-German public sector deficits of at least DM100bn this year and DM150bn next year, unless the government does better than expected in making savings elsewhere. The medium-term outlook for borrowing depends on how quickly the economy in the east picks up.

Tax revenue from the former East German territory will initially be negligible, perhaps only DM7bn to DM8bn in the second half of this year, rising to DM35bn or DM40bn next year. Tax revenues in the east are, however, likely to remain below the 22 per cent of GNP currently recorded in West Germany for some time – especially if the idea of waiving corporate tax in the east catches on.

The extra pressure on world savings will be considerable, given the "off-balance sheet" borrowing such as the DM55bn being raised by the Bundespost, or the DM100bn to cover a large hole in the former East German banking system.

Some critics claim it is irresponsible to pay for unity largely through borrowing at a time when the demands of the US deficit and eastern Europe are so urgent. But German savings will more than cover the costs of unity even if some "repatriation" will be required, (although not from the US where the Germans have not been big investors).

Most economists agree that, unlike the US deficit, the costs of unity are short term and should be regarded as a form of investment. Some of the money being paid out – such as the DM13bn to the Soviets for removing their troops – is flowing straight back to German industry, whose rude health provides a secure underpinning to economic union.

David Goodhart

Bundesbank denies picture is one of economic hopelessness

THE lack of a functioning East German administration is seriously hindering the integration of the two German economies, Mr Johann Gaddum, a director of the Bundesbank, said yesterday.

Mr Gaddum, who is in charge of the central bank's provisional regional headquarters in the former East Germany, was in Leipzig yesterday to deliver a resumé of the East German economy in the three months since the introduction of the D-Mark.

The process of adjustment to a market economy is "in part very painful," he said. But he firmly rejected the "picture of hopelessness" that had been portrayed in some quarters.

Mr Gaddum said companies were still forecasting further lay offs, but the state of their orderbooks was surprisingly healthy. Some 60 per cent of those surveyed by the Bundesbank reported a satisfactory position, he said.

"Profits are being turned – without these there would be no will to invest," he said. Within the next 10 to 12 months, investment commitments would grow fast as people gained more information.

One serious obstacle was the widespread uncertainty created by the lack of a proper administrative infrastructure, he explained. The central planning system had collapsed, leaving a black hole.

But he said previous reservations about the speed of German monetary union had been dispelled. "I don't think a longer adjustment period would have helped," he said.

At the same time he warned wage demands would have to be kept in check – the quicker the attainment of the western level, the graver would be the other adjustment problems.

Addressing the "unsatisfactory" mechanism for payments within East Germany, where the old system is operating alongside the West German model, Mr Gaddum said difficulties would remain until East German institutions came closer to western standards. Delays are so bad some customers are bypassing the book entry system and physically transferring rolls of notes between banks.

Leipzig was the chosen venue for yesterday's press conference following the introduction of the first two denominations of a new series of banknotes in Germany on Monday. The new DM100 note carries a picture of Clara Schumann, the pianist born in Leipzig. As the design process for the notes began five years ago, the timing of the introduction shortly before German unification is incidental.

Katharine Campbell

Pioneer 'Wessies' find life rewarding

MR Horst Ahrens, 48, is a West German banking pioneer. Last February he was sent to open Commerzbank's office in the East German town of Halle. He has been there ever since, separated from his family but living comfortably enough in the Stadt Halle hotel.

He opened his first office in the hotel, in a dingy room without a window, offering financial advice to anyone who wanted it. Only after monetary union on July 1 were West German banks allowed to lend money but at the end of May, he had already moved into a purpose-built two-storey, 600 sq metre temporary office in the centre of town.

By then he had 15 staff. Now he has 60, of whom 23 are East Germans. Last week several members of his young team were still happily working away at 7.30 pm, before returning to the local families with whom they lodge. "They're a dynamic team and ready to make a lot of sacrifices," he says. He himself regularly works 14-hour days, and weekends, and says that even if his wife and two daughters were with him they would not see much of him. They are in fact back at home in Güttesloh, where Mr Ahrens used to be branch manager, after stints in Tokyo and Hong Kong.

Banker Horst Ahrens

The separation and the hard work have their rewards. All Commerzbank employees who have volunteered to work in East Germany get a 20 per cent salary top-up, are doing their promotion prospects no harm and enjoy a sense of making history. A further compensation is that Mr Ahrens finds the East Germans more open than his own compatriots.

Commerzbank did not, unlike the larger Dresdner Bank and Deutsche Bank, buy itself into the existing East German banking system. That means it has not inherited the big corporate clients and is less involved in lending the liquidity credits guaranteed, indirectly, by Bonn.

Mr Ahrens says the other two banks suffer the disadvantage of having to take on existing staff, who knew nothing by West German standards. "Most of their training was reading Marx," he says.

Commerzbank has made most headway in the private customer market. Mr Ahrens says all customers, or potential customers, get at least 45 minutes' individual attention. Thousands have opened accounts, about 80 per cent depositing and only 20 per cent borrowing. "Personal contact is even more important here than in West Germany," he says. "The East Germans are very sensitive."

About 80 per cent of business lending has been state-backed liquidity credits, and 20 per cent at the bank's risk.

"Until recently most companies had no monthly reporting system, they still have no balance sheets, and we can't anyway just lend against assets," he says. His biggest unbacked corporate loan, which required special permission from headquarters, was about DM15m.(£5m)

Risks are being taken with small businesses. "Some of them are a bit naive but all very enthusiastic," he says, recalling the man who wanted to invest in an automatic car-washer and based his profit calculations on the assumption that customers would be queuing up to wash 24 hours a day.

Mr Ahrens says outsiders are getting an excessively negative view of the feeling inside East Germany. "Even many of the new unemployed are quietly rather pleased. They are all getting 70 per cent of wages which have just been substantially raised so in real terms they are earning more than ever before and not having to work," he says. He adds that tensions between rich "Wessies" and poor "Ossies" are exaggerated.

Commerzbank is showing its faith in the future by spending DM40m on a large office building in Halle.

The remaining obstacles are property ownership, infrastructure and human capital, says Mr Ahrens. "Of course East Germans are not more stupid than us but they suffer from an inferiority complex. It's not surprising. Just imagine if we had to suddenly learn how to live in a socialist state. It would not be easy.

David Goodhart

THE WORLD REACTS

THE Soviet Foreign Ministry yesterday welcomed German unification as part of the reshaping of eastern Europe set in motion by the Kremlin's policy of perestroika, Reuter reports from Moscow.

"German unification takes place as a result of the deep political reshaping of eastern Europe, initiated by the meaningful social and political perestroika [restructuring] of the Soviet Union," said Mr Yuri Gremitskikh, the ministry spokesman. "It represents an historic event, not only in the lives of the German people but in the lives of the people of Europe and of the whole world.

"The Soviet Union and a united Germany enter a new stage of co-operation, which must bring a durable peace, stability and enlightenment."

In West Germany, government officials said President Mikhail Gorbachev might visit Germany in November to sign a treaty on relations with the new state. Foreign ministers Hans-Dietrich Genscher and Eduard Shevardnadze last month initialled the treaty in Moscow.

■ ■ ■

A UNIFIED Germany will have a "profoundly important" role in Europe, Mrs Margaret Thatcher, the British prime minister, says in a statement to be delivered to Chancellor Helmut Kohl today, writes Ralph Atkins. The prime minister offers her warm congratulations to Germany "on this special day".

Her comments contrast with remarks earlier this week in New York when she appeared lukewarm about the prospect of a stronger Germany in Europe and admitted she had favoured a much slower pace towards unification.

Mrs Thatcher says in her statement: "Unification of Germany represents an important step in overcoming the division of our continent. "Together with our allies, we withstood the difficult period of the Cold War. Now that Germany is to be united in peace and freedom, a united Germany will have a profoundly important role in Europe."

■ ■ ■

MOZAMBIQUE government statistics show that 5,000 nationals working in East Germany have been sent home since political change began late last year, Reuter reports from Maputo.

At the time, 18,000 Mozambicans were working in factories and mines. They were employed under a 1979 labour agreement which suited both governments: East Germany had a manpower shortage and Mozambique was unable to provide enough jobs for its school leavers.

A further 5,500 Mozambicans are expected to arrive home before the end of the year and, as the labour agreement is not being renewed, the rest will not be far behind.

■ ■ ■

THE European Commission said yesterday that German unification would speed political and monetary union in the European Community, Reuter reports from Brussels.

The 17 commissioners said they shared the joy of the German people at becoming a united nation at midnight last night and welcomed the simultaneous entry of East German territory into the Community. "German unification gives a new élan to a stronger and more united Community leading to economic and monetary union and political union," they said.

Lufthansa flies in

WEST Germany's Lufthansa airline flew to West Berlin yesterday for the first time since 1945, ending four decades in which only aircraft from the Second World War allied powers were allowed to land in the city, Reuter reports from West Berlin.

A special Lufthansa flight from Bonn – right – landed at Tegel Airport. It was carrying members of parliament to last night's German unification celebrations

The World War Two allies signed an agreement on Monday in New York formally suspending their rights and responsibilities for Germany and Berlin, including their control of the city's airspace.

Lufthansa is due to begin scheduled flights to the reunited city later this month, taking over routes previously flown by the US airline Pan Am.

Poles rush to West Berlin on final shopping spree

THOUSANDS of Poles took the last opportunity to go shopping in West Berlin yesterday before a united Germany imposes stiff visa controls on them, Reuter reports.

Pushing trolleys and struggling with bags laden with television sets, video recorders and radios, they clogged paths in the city centre.

Under the laws of the western allies which have ruled West Berlin since 1945, Poles were allowed in visa-free for a month. But this right disappears with unification when German rules will require visas for all Polish visitors.

German unity will also deliver a powerful shock to Poland's economy by depriving Warsaw of traditional export markets in East Germany, the German newspaper Handelsblatt reported yesterday.

Polish finance minister Leszek Balcerowicz told the newspaper that unification would force Poland's economy to make unforeseen adjustments.

East German demand has switched sharply to western goods, leading to a big fall in imports from Poland.

Walters: ambassador with foresight and a new mission

HANS and Hede Scherwinke, a couple in their 80s from the forested Erzgebirge region in southern East Germany, are likely to receive an unusual visitor sometime in the next few weeks.

Mr Vernon Walters, 73, the much-travelled US ambassador to Bonn – three-star general, adviser to five US presidents, and former deputy director of the Central Intelligence Agency – will be dropping by to pay a call.

The East German couple sent Mr Walters a traditional wooden Christmas pyramid at the end of last year to thank him for his well-publicised support for German unification. Now that unity has been sealed, the ambassador will be quickly extending his activities in a Germany which will be 40 per cent larger geographically – and carry more weight in the world.

In an interview at the Rhineside American embassy last week, Mr Walters said he observed "a greater degree of self-confidence" in Germany's security policies, but saw no let-up in ties between Bonn and Washington. "We are large powerful nations with vast economic interests. That will not drive us apart."

Now the jurisdiction of Bonn embassies extends to the whole of the country, Mr Walters believes Germany's allies have an important task in presenting western policies to East Germans adjusting to life after Communism.

East Germany faces, Mr Walters says, "the problem of deconditioning after 40 years of brainwashing...I will travel around there. They need to have our positions explained better. I'd like to have the opportunity to sit down and answer questions."

One special reason for visiting the Scherwinkes, apart from thanking them for the Christmas present, is, Mr Walters confides, because he is looking forward to meeting someone older than he is.

Mr Walters is a shambling, bespectacled ox of a man who disconcertingly mingles quick-fire analysis with obscure anecdotes of past encounters with elder statesmen. He arrived in Bonn in April 1989 with the reputation of a relic from the Cold War – but has had a hand in shepherding it on to the pages of the history books.

Whereas his predecessor, Mr Richard Burt, sometimes looked like a young man in too much of a hurry, Mr Walters has grandfatherly gravitas. (Pointing out that he has never been married, Mr Walters much prefers the appellation "avuncular"). He was in Germany as an army officer after the Second World War.

BY DAVID MARSH

At the beginning of his stint in Bonn, Mr Walters surprised some ministers and officials by predicting unification within the next few years. In an interview at the start of September 1989, which raised eyebrows in the State Department, Mr Walters was asked if he could imagine a united Germany in the near future. He answered simply "Yes".

Mr Walters said last week he saw the chances of German unification rising after the Soviet troop pullout from Afghanistan last year showed him the Brezhnev doctrine was dead. "What happened was inevitable...It was less surprising to me than to others."

Why did the US government come to terms with the likelihood of German unification more quickly than France or Britain? Mr Walters concedes that, with greater geographical distance, "you take a more detached view." He adds breezily that America's experience of not having been "overrun, occupied or bombed" by the Germans undoubtedly contributes to the more relaxed stance.

He sees something of a conflict between Germany's need to play a stronger international role and the desire of many Germans not to awake memories of muscle-flexing.

German diffidence about national symbols "is understandable in view of the past. But after 50 years it can be a little excessive. I say there is nothing wrong with flags, as long as they do not lead to excessive nationalism."

On German help for the US build-up in the Gulf, Mr Walters denies there was any "subterfuge" in Bonn's offer last month of DM3.3bn worth of aid. Bonn said last month DM740m worth of military equipment would come from East German army stocks, but Mr Walters says a sizeable East German component was expected.

On the sensitive question of deployment of German troops in the Gulf, Mr Walters says: "Everyone is well aware Germans believe they are bound by some kind of constitutional restrictions. There is also the knowledge that all the political parties are working to overcome this." Asked if he is happy with this state of affairs, he answers: "One is never completely happy."

Mr Walters believes in the continuing need for stationing of US soldiers in Germany, even after the Soviet army pulls out in 1994. He stresses this depends on the German government, but says time will be needed to assess the future stability of what he calls the "Russian state beyond Poland...It is of interest to everyone in Europe to see what kind of neighbour the Soviet Union will be."

The only hint of differences with Bonn comes after a question about Mr Hans-Dietrich Genscher, the Foreign Minister, who said last month that he saw "East" and "West" no longer as political terms, but simply as expressions of geography. "I respect Mr Genscher's opinion, but I am not sure that I totally share it," he says, adding with soldierly caution that there are still some "profound differences" in the way that East and West are run.

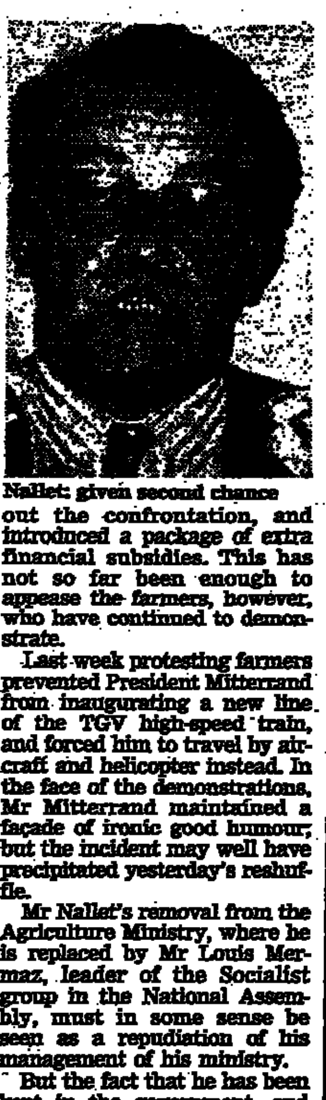
EUROPEAN NEWS

French reshuffle sees agriculture minister moved

By Ian Davidson in Paris

PRESIDENT François Mitterrand last night carried out the first significant reshuffle in the two-year-old government of Mr Michel Rocard, in which the justice minister was sacked and the agriculture minister was moved sideways to take his place.

At the same time, President Mitterrand dismissed Mrs Edith Cresson, the raucous and nationalist minister for European affairs, and replaced her with the glamorous and wholeheartedly pro-European, Mrs Elisabeth Guigou, hitherto special adviser on European questions at the Elysée Palace.



Nallet: given second chance

Justice and agriculture have been two of the most troubled portfolios in the Rocard government, and both have been harassed by repeated conflicts with their respective constituencies.

Mr Pierre Arpaillange, the justice minister, came to office with an enviable reputation as a most admired senior magistrate.

But he manifestly failed to mobilise the necessary political skills, and failed to avert (or perhaps provoked) repeated strikes by prison officers in 1988-89, as well as industrial action by members of his own profession, who have planned a national day of action later this month.

Mr Henri Nallet, the agriculture minister, has throughout this summer faced repeated waves of turbulent demonstrations from farmers protesting at the problems caused by the third year of drought and, most acutely, by a sharp decline in the prices of beef and lamb.

Earlier in the summer the farmers vented their anger on trucks carrying imports of British lamb, and in one brutal incident a consignment was burned alive in a truck.

At the end of last month the government partially reversed its initial policy of toughing out the confrontation, and introduced a package of extra financial subsidies. This has not so far been enough to appease the farmers, however, who have continued to demonstrate.

Last week protesting farmers prevented President Mitterrand from inaugurating a new line of the TGV high-speed train, and forced him to travel by aircraft and helicopter instead. In the face of the demonstrations, Mr Mitterrand maintained a façade of ironic good humour, but the incident may well have precipitated yesterday's reshuffle.

Mr Nallet's removal from the Agriculture Ministry, where he is replaced by Mr Louis Mermaz, leader of the Socialist group in the National Assembly, must in some sense be seen as a repudiation of his management of his ministry.

But the fact that he has been kept in the government, and shifted to the equally difficult Ministry of Justice, implies that he still retains the respect of the President, or at the very least that he is being given a second chance to show what he can do.

Hurd warning on E Europe's future

By Robert Mauthner, Diplomatic Correspondent, in New York

MR DOUGLAS HURD, the British Foreign Secretary, warned yesterday that the permanence of democracy in the eastern European countries which had discarded communism could not be taken for granted.

In a speech in New York at a meeting of foreign ministers of the 35-nation Conference on Security and Co-operation in Europe, Mr Hurd stressed that it was one of the main tasks of the proposed new European security structure to consolidate democracy in Europe.

The ministers are meeting to draw up a blueprint for such a structure in preparation for a summit meeting of the 35 in Paris next month.

"As countries escape from the deep frost of communism they may discover that some of their problems, as well as all of their freedoms, have been put on ice. They may be prone to new forms of intolerance which find their expression in extremes of nationalism or hostility to minorities," the foreign secretary said.

Mr Hurd emphasised that the new pan-European structure could not become an organisation offering collective military guarantees and could not therefore replace Nato.

It could, however, provide a more formal process of political consultation between all the European countries, the US, the Soviet Union and Canada. Such consultations could be modelled on the political co-operation process of the 12 European Community countries.

The EC had proposed that CSCE foreign ministers should meet twice a year to discuss and resolve differences between them, and that heads of state should meet about once every two years to give them general directives.

Unlike a number of other member countries, such as the Soviet Union and some eastern European countries, the British foreign secretary said that only a small permanent secretariat should be set up to serve the new European structure.

The US has been talking in terms of a 10-15 member secretariat.

Some differences of emphasis could also be perceived over the proposal to set up a Conflict Prevention Centre, the object of which, Mr Hurd said, should be to ensure rapid communication between member states in times of tension, and greater transparency and predictability of military situations.

Mr Eduard Shevardnadze, the Soviet foreign minister, has made it clear that Moscow looks upon the creation of such a centre, not only as a priority matter, but as the key to the whole new European structure. It should be seen as a "model for future democratic security structures that will transcend alliances", Mr Shevardnadze told the conference.

The UK has also proposed the setting up of a procedure for the conciliation of disputes between CSCE states, a procedure which could be purely voluntary, Mr Hurd said.

■ The three foreign ministers of the Baltic states, Estonia, Latvia and Lithuania, yesterday formally requested the CSCE member states to grant them observer status at their Paris summit next month.

They said that they were heartened by the movement towards agreements on Baltic membership in the CSCE and urged the member states to have the courage to support a Baltic application for participation in the Helsinki process.

The Hungarian prime minister, Mr Jozsef Antall, addressing the parliamentary assembly of the Council of Europe in Strasbourg yesterday. Hungary heads the east European queue to join the Council, the oldest European organisation which is increasingly seen as the forum for the protection of human rights, and its candidacy has been unanimously approved, David Buchan writes. However, formal Hungarian entry has to await a decision by ministers of the Council's member governments in November.

In simple order of application, Poland and Yugoslavia should be the next two to join, but Council of Europe officials predicted yesterday that both countries would first need to hold fresh elections. Thus the next entrant may be Czechoslovakia, which made its attempt to join the 23 countries only last April.

Yugoslav crisis meeting ends with appeal

THE Yugoslav government said yesterday that the situation in the country was very grave after a flare-up of ethnic violence, involving Serbs in Croatia, and appealed for calm to avert tragic consequences, Reuter reports from Belgrade.

The government convened an emergency session as the state presidency met to try to hold Yugoslavia together after weekend clashes between Croatian police and Serbian protesters.

"The situation was assessed as very grave," Tanjug news agency said after the government's two-day meeting.

The government appealed to all people to "refrain from any actions that can make the situation worse" and not to take up arms. But the only action it ordered was to send a team to Croatia to study the situation.

Tensions rose further yesterday as armed groups of Serbs in Croatia, the second biggest of the six republics, sealed off the town of Knin in which they are a majority, blocking roads and cutting rail links.

Talks agreed on Lithuania

Lithuania and the Soviet Union agreed yesterday to hold formal talks about the republic's drive for independence, Reuter reports from Moscow.

Lithuania's President Vytautas Landsbergis said both sides agreed at talks in the Kremlin to form groups to draw up a timetable for negotiations.

Hungarian coalition fears

Hungary's conservative coalition faces its greatest test of its five months in power after the constitutional court yesterday rejected a proposal to return land to pre-communist owners, Nicholas Denton writes from Budapest.

The Independent Smallholders Party, whose support is crucial to the government's majority, threatened to walk out of the coalition in disgust at the court's decision. The main plank of the Smallholders is the restoration of property which was confiscated after 1947. Mr Sandor Olah, deputy leader of the Smallholders faction, confirmed that there was a chance the party would leave the coalition this week.

Prague privatisation meets resistance

By John Lloyd in Prague

THE CZECHOSLOVAK government's first moves towards privatisation and restructuring of the economy are meeting resistance from two key groups of workers, miners and shop managers.

A plan prepared by the Energy Ministry, but not yet published, reveals that the government intends closing some 10 mines in Ostrava (northern Moravia), Slovakia and northern Bohemia, by next year. Half of the closures will be drawn from the Ostrava-Karvina complex, the country's largest employer with over 100,000 workers, and with annual sales of £1bn.

Tensions are now appearing between miners in the profitable and the unprofitable pits – some of which are already listed for closure – though in these early stages, they are making an effort at solidarity. Miners at the huge and profitable CSM mine near Ostrava have demanded instant privatisation on threat of strike, but with the condition that workers at the neighbouring Zarubek pit, listed for closure, are re-employed at CSM.

Mr Vladimir Dlouhy, the industry minister, promised on Monday night to privatise CSM by November 1, a precedent which workers in other profitable pits say they will seize on.

The government has drawn up plans for retraining miners and for cushioning their redundancy with unemployment benefits. Officials admit that for many of the older workers, retraining and relocating will be all but impossible.

The shop managers, whose disruptive potential is even greater than the miners', are angered by plans to sell off their businesses to anyone who wishes to buy. The managers, supported by their staff in many cases, are demanding that they be offered first refusal in the sale.

In effect, this means that profitable shops will be bought by their managers and staff, and the loss-makers put up for sale on the open market. The managers have staged sporadic strikes and threatened a two-hour stoppage today.

The Czechoslovak parliament yesterday approved the return of property confiscated under communist rule, Reuter reports from Prague. The law passed by 202 votes to six, with 38 abstentions. It permits people to reclaim property taken over between 1955 and 1959. It does not cover agricultural land incorporated into co-operative farms.

Iata warns airlines are facing 'serious losses'

By Paul Betts, Aerospace Correspondent

SOARING jet fuel prices and the threat of recession are putting a severe squeeze on airlines and are expected to accelerate the current shake-out in Europe and the US.

Fuel price rises have already added an estimated $5bn (£2.6bn) to the industry's overall annual costs. They come on top of already rising labour costs and signs of decline in passenger traffic growth.

Many airlines will suffer "serious losses" if fuel prices continue to rise, insurance costs remain high in the Gulf region and the world economy slows down significantly, Mr Günter Eser, the head of the International Air Transport Association (Iata), warned yesterday. The US airline industry has so far been the worst hit.

Many US carriers have already taken steps to reduce capacity and lay off employees and have warned of a significant deterioration in performance. After reporting operating profits of $1.4bn last year, US airlines broke even during the first six months of this year. But the combination of higher fuel costs is expected to see the US industry in the red, with an operating loss of about $1bn, according to Mr Frederick Bradley, a senior vice-president at Citibank.

US Air became the latest carrier to signal balance sheet problems when it suspended indefinitely its quarterly dividend, after announcing it was laying off 3,600 employees. Even strong airlines like American Airlines and Delta have warned of significant deterioration in profits.

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AMERICAN NEWS

Budget deal to raise tax bill for foreign companies

By Peter Riddell, US Editor, in Washington

FOREIGN companies investing in the US face an additional tax bill of $300m (£159.5m) over the next five years as a result of the budget agreement.

However, more far-reaching proposals for a withholding tax on foreigners' capital gains have been dropped.

Following a barrage of criticism that some foreign-owned companies in the US have been paying insufficient tax, the agreement proposes extending powers of the Internal Revenue Service in auditing and scrutinising records of such operations.

Last year the IRS was given powers to inspect the books of US subsidiaries of foreign-owned companies, and the latest proposal extends its authority to seek past information from branches of subsidiaries. But this only applies to records in existence this year.

The agreement would also cover all tax-related aspects of a company's business, not just its transactions with related parties.

The hope is that by granting the power to examine foreign companies' records the IRS will be able to collect an additional $300m up to fiscal 1995.

While foreign governments and investors are concerned about the possibility of extending extra-territorial authority of US agencies, there is relief that the provisions are not as onerous as suggested in a congressional measure earlier this year.

Moreover, the intensive lobbying efforts of, among others, the British government have helped persuade both sides to drop an earlier congressional proposal for a withholding tax on capital gains made by foreigners.

British investors, the largest such group in the US, would have been uniquely affected since almost alone among leading industrial countries the UK does not have any specific protection from such a levy in its tax treaty with the US. Britain does not impose capital gains tax on US-owned assets in the UK.

Mr John Major, the British chancellor of the exchequer, wrote last week to Congressman Dan Rostenkowski, the Democrat chairman of the tax-writing ways and means committee, to underline British concern about such a withholding tax.

He said the British parliament "would find it impossible to understand why the US Congress should wish to pass at this time legislation that would single out the UK among the US's major trading partners for adverse treatment".

Mr Major added that if the proposal was passed, "there would be strong pressure to impose a retaliatory capital gains tax on US-owned assets in the UK". This would hit the substantial investment flows between the countries.

While the tax has been dropped from the budget agreement, congressional committees are investigating the alleged underpayment of tax, notably by Japanese and South Korean-owned subsidiaries in the US. This takes place through the practice of transfer pricing, in which prices are manipulated to understate profits in the US and other countries.

Consequently, new proposals to increase taxes paid by foreigners are likely to be revived soon.

Bush to make television appeal

By Peter Riddell

PRESIDENT George Bush was due to make a televised address to the American people last night to rally support for the budget agreement in the face of strong criticism from many congressmen. Their opposition is already affecting the run-up to next month's mid-term elections.

Many incumbent senators and representatives who face close races, and their challengers, are opposing the package, which raises indirect taxes and cuts Medicare health provision for the elderly.

The most significant opposition comes from House Republicans, many of whom, led by Congressman Newt Gingrich, the minority whip, have said they will oppose the package in votes over the next 2½ weeks because of the $134bn (£71.2bn) increase in taxes proposed over five years.

Mr Gingrich said the package would "kill jobs, weaken the economy and the tax increase will be counterproductive".

Darman: supports package

Mr Bush yesterday met 60 sceptical Republicans to win them over. Mr Marlin Fitzwater, the White House spokesman, said the president was "going to be arm-twisting and cajoling and telling people, if you are not supportive of this, we ask you to take another look and think anew about the interests of America".

During the meetings, Mr Richard Darman, budget director, gave six reasons for supporting the package; it was the biggest deficit reduction ever, it had the toughest enforcement mechanism ever, it achieved the biggest entitlement savings, it was balanced and fair, there was no other alternative in view of threatened across-the-board cuts, and if it were voted down there would be a negative impact on the economy.

The prospects look good for approval by the Senate – only a third of which is up for re-election next month – but it is likely to be a close result in the House, where all members face voters. If the package is rejected, up to $106bn in across-the-board spending cuts will be imposed under the Gramm-Rudman deficit reduction law.

Congress backs tough new powers for SEC

By Peter Riddell

The US Securities and Exchange Commission has been granted extensive new powers over the operations of markets and to combat fraud.

Mr Richard Breeden, SEC chairman, said new legislative measures just approved by both houses of Congress represented "probably the most significant change in securities laws in several decades".

On Monday the House followed the Senate in approving a bill which expands the range of violations for which the SEC can impose civil penalties. The agency will also have powers to issue temporary cease-and-desist orders to combat fraudulent sales practices in the market for low-price securities known as penny stocks.

Under the present law the SEC can impose fines only for insider trading. That provision will be broadened to cover all violations of federal securities laws, including filing false disclosure documents. Fines range up to $100,000 for an individual and $500,000 for a company.

Another measure, approved at the end of last month by both houses, will extend SEC powers over markets. The agency will be able to ask securities firms about large trades and about the financial health of broker-dealers' holding-company parents – a response to the failure of Drexel Burnham last February.

The SEC will also be given, for the first time, power to close securities markets in times of emergency, although only with presidential permission.

The measure also mandates co-ordinated clearance and settlement of stocks, options and futures contracts between the SEC and the Commodity Futures Trading Commission.

The Senate and House have resolved divisions to give the SEC power to ban programme trading – computer-driven trading in several stocks simultaneously – in periods of market turbulence.

The measure authorises the SEC to "prescribe means reasonably designed to prevent manipulation of the market or certain stocks".

US business interest in Europe soars

By Martin Dickson in New York

THE COLLAPSE of the Soviet empire has greatly increased US business interest in European investment, according to a study released in the US by consultants KPMG Peat Marwick.

The survey, designed to gauge US business attitudes to the European Community's 1992 initiative and the opening up of eastern Europe, covered more than 700 executives from large and mid-size US companies.

It found that 65 per cent of companies had already expanded, or were planning to expand, their production or service capacity in Europe.

This compared to 36 per cent in a survey conducted in 1989, before the Berlin Wall came down and which did not cover attitudes towards eastern Europe.

The survey found that larger companies – particularly those in high technology, transport and manufacturing – were leading the way.

About 50 per cent of respondents were planning significant new investments in the EC, 28 per cent in eastern Europe and only 14 per cent in non-EC west European nations.

Some 58 per cent of companies planned to merge, acquire or enter into joint ventures with European partners, or had already done so.

Nearly half the companies planned to change, or had already altered, their distribution arrangements in Europe. One in five said they would manufacture in eastern European countries for export to the EC, the survey showed.

Since the Berlin Wall came down, 43 per cent of the companies polled had sent a representative to eastern Europe to investigate business opportunities.

Almost two thirds had either entered (20 per cent) or planned to enter (44 per cent) the east European market, while nearly a half had either entered (15 per cent) or planned to enter (32 per cent) the Soviet Union.

A protester rolls a tyre towards barricades during demonstrations marked by poor turnout

Nicaraguan unions agree to talks

PRO-SANDINISTA unions agreed to negotiate with the government after what they had billed as a massive anti-government protest drew only a few hundred people, heavily outnumbered by riot police, Reuter reports from Managua.

Mr Lucio Jimenez, head of the Sandinista-affiliated National Workers Federation (FNT), told protesters at the end of the day-long rally on Monday: "We will speak with the government to demand it keeps its promises and puts an end to plans to fight inflation by firing thousands of workers."

Pro-Sandinista newspapers had forecast that some 60,000 Nicaraguans would join the demonstration in Managua, called to protest against President Violeta Chamorro's economic austerity plans.

But by the end of the day only several hundred Sandinista supporters had turned out. The protesters were blocked from the presidential palace by about 2,000 riot police. There were no reports of violence.

Mr Jimenez said FNT delegates would meet government officials to decide whether to join talks between the government and private sector aimed at reaching a national consensus on reforming an economy crippled by US economic sanctions against the previous left-wing Sandinista government and a decade of war.

The talks have been boycotted by the Sandinistas and their sympathisers in the FNT since they began on September 20.

The Sandinistas organised Monday's protest, coupled with a campaign of civil disobedience, to prevent Mrs Chamorro from enacting a series of tough economic reforms that would eliminate about 25,000 government jobs and privatise hundreds of state-owned companies.

A left-wing radio station was burnt down in the capital on Sunday night as the government called for calm.

Uruguay plans debt buy-back

By Leslie Crawford

URUGUAY aims to buy back two-thirds of its $1.6bn (£850m) commercial bank foreign debt through a package of debt reduction and fresh loans it will begin to negotiate with creditor banks in New York tomorrow.

Mr Agustin de Urtabey, central bank vice-president, believes the target is feasible as "a considerable number of banks want to sell Uruguayan paper".

Its debt is currently being traded on the secondary markets at 48.5 per cent of face value, and the country would only have to pay between $400m and $500m to redeem up to $1bn of its foreign debt.

To clear the negotiating path with commercial banks, Uruguay signed a letter of intent with the International Monetary Fund in September. In exchange for an SDR118m stand-by credit, the government of President Luis Alberto Lacalle has committed itself to reducing the public sector deficit to 2.5 per cent of gross domestic product by the end of 1991, from a level of 6.5 per cent at the start of this year.

Inflation will also have to fall to 30 per cent in 1991 from the current annualised rate of 110 per cent.

Officials say that as a result of recent revenue raising measures, the public sector deficit target will probably be met by the end of this year. The inflation target, however, will be more difficult to achieve if oil price rises continue. Uruguay imports all its oil.

CRISIS IN THE GULF

Iraqi forces 'executing Kuwaitis'

IRAQI forces have executed and tortured scores of people in Kuwait and hundreds more are being detained, Amnesty International alleges today.

The London-based human rights group said its report was based on a range of sources in and outside Kuwait.

Amnesty said it was unable to confirm some reports but the testimony "builds up a horrifying picture of widespread arrests, torture under interrogation, summary executions and mass extrajudicial killings".

Doctors from Kuwait hospitals said Iraqi soldiers brought in bodies of young men, some only 15, shot at close range. Amnesty said some Kuwaitis suffered electric shocks and prolonged beatings. Others had limbs broken, and finger and toe nails pulled out. Scores of hangings at Kuwait University had been reported.

Iraqi forces had arrested men, women and children found with opposition literature, the Kuwaiti flag or photographs of the Emir of Kuwait.

Divided Arabs call off meeting with EC

By Tony Walker in Cairo and David Buchan in Brussels

ITALY has been forced to postpone a meeting between European Community foreign ministers and their Arab league counterparts next week because of the bitter divisions in Arab ranks.

Mr Gianni de Michelis, the Italian foreign minister had, in Italy's capacity as EC council president, invited all Arab League members, bar Iraq, but it became clear that Baghdad sympathisers such as Libya and Yemen would not attend.

Mr De Michelis yesterday bowed to the inevitable and announced the postponement of the Venice meeting. He had been told by several of the Arab foreign ministers he saw in New York, including Prince Saud of Saudi Arabia, that though they supported the initiative, they had qualms that a poorly attended meeting in Venice would only highlight Arab disunity.

At their meeting last month, the EC ministers issued a declaration reaffirming their "determination to consolidate and reinforce the historic ties of friendship which bind them to the whole of the Arab world". The proposed Venice meeting had been intended to flesh out this declaration with talks over issues broader than the present crisis.

Gianni de Michelis: West partly to blame for crisis

EC diplomats yesterday sought to put the best face on the postponement. They said the purpose of showing Europe's solidarity with the Arab world had already been served by a strong anti-Iraq statement agreed by ministers of the EC and of the Gulf Co-ordination Council (GCC) meeting in New York.

The Arab League has virtually stopped functioning as a forum for all the Arabs since an emergency summit on August 10 approved, narrowly, the dispatch of a deterrent force to Saudi Arabia to confront Iraq.

Arab states are still squabbling over the re-location of the Arab League headquarters to Cairo. The pro-western majority among the 20 Arab states and Palestine has agreed to move the General Secretariat back to the Egyptian capital by 31 October. However, an Iraq-led minority is baulking at such a move.

News that the Venice meeting was being called off coincided with faint signs of optimism in Arab capitals that a diplomatic solution to the Gulf crisis may be in the wind.

But western officials and Arab experts warn that a slightly more conciliatory tone from Baghdad at the weekend may simply be a tactical manoeuvre to "buy time" and to drive a wedge between France and the US.

On Sunday, President Saddam Hussein referred positively to a four-point peace plan advanced by President Mitterrand who linked a settlement of all outstanding Middle East issues with an Iraqi withdrawal from Kuwait. President Bush appeared to nudge towards the Mitterrand position when he said, in a UN address on Monday, that "in the aftermath of Iraq's unconditional departure from Kuwait, I truly believe that there may be opportunities...for all states and peoples of the region to settle the conflict that divides the Arabs and Israel".

The President's guarded talk of a comprehensive settlement indicated that the US may be redoubling its efforts to find a compromise.

An Egyptian Middle East expert said that it seemed that Washington was getting the message that any conflict would involve enormous risks for all concerned, not least for the Americans themselves.

Meanwhile, EC foreign ministers have finally agreed to give Ecu1.5bn (£1.04bn) in aid to Jordan, Egypt and Turkey.

The move follows weeks of indecision over where the funds should come from. The ministers agreed that the three states should get Ecu500m in grants and loans from the EC budget with the remainder coming from national exchequers.

The European Commission had earlier proposed that half – Ecu750m – come from the EC budget to lessen the argument over national contributions. This argument is now likely to be all the fiercer, because the sum to be found is slightly larger and because the UK, France and Germany say they should pay less due to the fact that they have contributed, in kind or in cash, to the military effort in the Gulf.

Israelis fear missile attack on cities

By Hugh Carnegy in Jerusalem

JUST as the government sought to reassure the Israeli public yesterday that mass distribution of gas masks did not mean an emergency was imminent, air raid sirens suddenly wailed over part of Jerusalem.

It was a mistake. But the seriousness with which it was taken – schoolchildren moved to air raid shelters – testified to a deepening public belief that war is close in the Gulf and that it may well envelop Israel.

At times during the last two months, Israel has run ahead of the pack in predicting an early outbreak of hostilities, explained partly by wishful thinking that the US and its allies are poised to smash the regime of President Saddam Hussein.

The authorities may now be less rash. But, as the bringing forward of gas mask distribution shows, there is a belief that the crisis is on course for conflict and a heightened concern that Mr Saddam will live up to his threats to strike Israel.

The Israeli military says publicly it still regards such a strike as unlikely. But it is nevertheless taking seriously the threat from Baghdad 10 days ago to attack Israel and Middle East oilfields, not if it first comes under attack as previously stated, but if sanctions begin to "strangle" the Iraqi people.

It traces this "change of policy formulation" to two meetings Mr Saddam convened on September 21 and 23 of senior military leaders, ruling Ba'ath party figures and government officials. These meetings are said to have stiffened Mr Saddam's refusal to relinquish Kuwait and his readiness to fight, despite his isolated position.

The Israelis say this isolation has not induced any tendency to retreat by Mr Saddam. On the contrary, because he has little left to lose, he feels he can only gain by exercising options such as a strike on Israel – either as a first strike or a retaliation – which could well rally Arabs to his side.

Israeli fears focus on Iraq's surface-to-surface missiles which can hit Israeli cities in minutes and may carry chemical warheads. Their ability to terrorise, rather than to effect real strategic damage, is what worries the authorities. "The problem is not the quality or quantity of missiles, it's the impact," said an official.

Although no real defence exists against these extended-range Soviet Scud missiles once fired, the time needed to prepare them for launch could mean Israel had time to make its own pre-emptive strike.

The government is, however, under pressure from Washington not to take any military action that could upset its anti-Iraq Arab allies. "We are not doing what we know we should be doing because you, the USA, want us to keep a low profile," *said Mr David Levy, the foreign* minister, in a telling comment to American Jews recently.

Nevertheless, officials have made clear this restraint has its limits. "Our only – our exclusive – consideration is the security of Israel," says Mr Yossi Achimeir, a senior aide to Mr Yitzhak Shamir, the prime minister. "If there are signs (Iraq) is attacking us – or is going to attack us – we will act to defend our security."

The oil world stands on its head

Steven Butler *on how the Gulf crisis has distorted the market*

AFTER enjoying a few weeks of fat profits following Iraq's invasion of Kuwait, oil refineries are back in the red again. Meanwhile oil traders are puzzling over the kaleidoscopic daily fluctuations in the oil markets that have thrown traditional price and supply relationships out of kilter.

"The world is standing on its head," says the manager of an oil trading operation at a large oil company.

The US has been exporting petrol to Europe at a time of year when the flow of trade usually heads west. The Soviet Union is trying to buy petrol in Europe, according to one trader, for the first time since the second world war.

Jet fuel prices have risen from around $200 a tonne on August 1 to about $500 at the end of last week, before falling off with the rest of the oil market this week to about $470. The traditional price differential between heavy fuel oil (used in power stations) and gas oil (used for industrial and home heating) has rocketed from between $50 and $60 to nearly $200.

Were jet fuel prices typical of the rest of the product slate, refineries would be flush with money. Yet while the rise in jet prices has outdistanced the rise in crude prices by about 50 per cent, fuel oil has moved only slightly and other products are somewhere in between. The net result is that refineries are now losing money on each barrel of oil they process.

This would appear a strange result for an oil market crisis supposedly characterised by a shortage of refining capacity rather than a shortage of crude oil. The market, however, has been buffeted by complex changes in both the pattern of supply and demand for individual refined products, as well as the changing qualities of crude oil hitting the market, in which chemically heavier crudes are replacing Iraqi and Kuwaiti exports.

Some traders say the pricing formulas under which heavy Iranian and Saudi crudes are being sold do not now offer enough of a discount to light crudes such as Brent from the North Sea to make them attractive. The heavy crudes produce a much higher proportion, about 50 per cent, of heavy fuel oil in the refineries, but as the graph shows, heavy fuel oil prices have hardly risen since the start of the war. Indeed, they have risen just enough to discourage utilities from burning the fuel, causing large inventories to build up in refinery storage tanks.

Discount formulas of about $4 for heavy crudes compared to dated Brent cargoes (for delivery within 15 days), for example, are common. They may have made heavy crudes attractive three weeks ago, but no longer.

"That difference does not match the difference in refining values," says one trader. "You cannot get your crude value back."

The differential against Brent has been fixed by the producers at a point where it is relatively more profitable, or less loss-making, to buy and process Brent whatever the absolute price. One trader says this has contributed to extra demand for Brent that may have boosted prices by as much as one or two dollars.

The Iranians, never known for keeping good customer relations, have been tough on prices. Saudi heavy crude prices are also said to be high, although traders expect revised sales formulas to be issued this week that will include a bigger discount.

The differential apparently being demanded by the market – as much as $7 compared to a traditional discount of $1.50 – however may prove politically unpalatable to the producers, who figure they are doing the world a favour by boosting output.

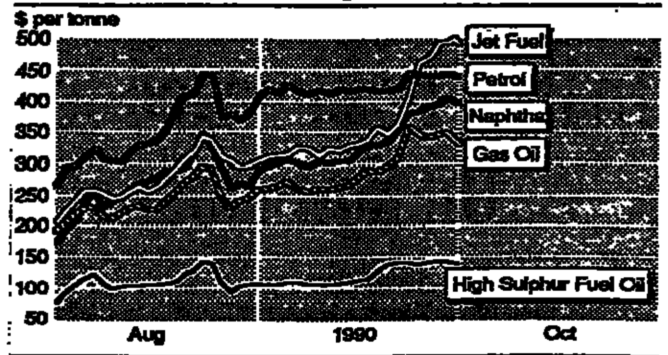
The loss of about 1m barrels a day of product exports from the Gulf region, coming from sophisticated refineries, has also created shortages. One trader figured that a typical Japanese refinery would have to run about 50 per cent more crude oil than a Gulf refinery to produce the same amount of middle and light products, such as jet fuel, the chemical feedstock naphtha, or petrol.

A Japanese refinery – which is relatively unsophisticated – would also be left with large amounts of high sulphur heavy fuel oil that cannot be burned in Japan because of environmental restrictions and cannot be exported without government permission. Petroleum Argus, the weekly oil market newsletter, calculates that Japanese refinery storage will at this rate be full by mid-October, which would force refineries to stop processing oil.

Petroleum Argus has also concluded that the rise in crude oil prices reflects not speculation, but a shortage of crude which must be processed in large volume to produce enough jet fuel to meet growing demand. However, while the high price of jet is an incentive, the relatively lower prices for other products produced at the same time make refining unprofitable.

Refineries are expected to reduce crude processing in the weeks ahead, and some are scheduled to shut down for scheduled maintenance programmes. By the time the come back on stream again, another steep rise in refined product price, or possibly a fall in crude relative to refined products could put them back into the money again. That, in any case, is how the market is supposed to adjust in theory.

Refined oil product prices



US carrier enters Gulf

THE US sent an aircraft carrier into the Gulf for the first time in 16 years yesterday, writes Victor Mallet in Bahrain. The move will put Iraq and Iraqi-occupied Kuwait within striking distance of the USS Independence's 70 aircraft without the need for mid-air refuelling.

US officials in Dhahran, Saudi Arabia, said the carrier its battle group of escort ships were passing through the Strait of Hormuz and would remain in the Gulf for a short period to conduct "routine operations".

Commander J.D. van Sickle said: "It's up here primarily to demonstrate the operational capabilities of the battle group." Asked if the presence of the Independence was militarily useful in the confined and crowded waters of the Gulf, Commander van Sickle said: "There is sufficient space in the Gulf to launch all her aircraft and recover them."

The last US carrier to enter the Gulf was the USS Constellation in 1974.

Two other US carriers are in the region, the John F. Kennedy in the Red Sea and the Saratoga in the Mediterranean.

Peugeot's chief attacks Britain on Japan plants

By Kevin Done, Motor Industry Correspondent, in Paris

MR JACQUES Calvet, chairman of Peugeot, the leading French carmaker, yesterday launched a bitter attack on the UK government for allowing Japanese car makers to set up assembly plants in the UK.

"More and more, don't we hear people talk about the UK as if it were a Japanese aircraft carrier just off the coast of Europe, or even Japan's fifth major island?" he asked in a speech at the Paris motor show.

Mr Calvet, who has led the campaign to maintain strict controls on Japanese car sales in Europe after the creation of the single European market, called yesterday for a halt to all talks between the European Commission and Tokyo on the removal of the present bilateral restraints on Japanese imports.

He said it was vital "for Europe's jobs, technology and standard of living" that negotiations should be suspended until European governments had met to define a new concept of Europe, and until the European Single Act had been renegotiated to include provisions for a common trade policy with countries outside the EC. At present, the EC had "no clear idea of its future".

The stance taken yesterday by Mr Calvet is the most extreme yet adopted by a European carmaker. He was excluded recently from a European Commission meeting with other leaders of the European car industry, apparently because of the intransigence of his views. But yesterday, he claimed he was in total unity with the leaders of Fiat, Renault and Volkswagen.

Mr Calvet laid out a hard-line five-point plan for resumed negotiations with the Japanese on car sales in Europe, which would include five non-negotiable principles:

Mr Calvet: Five-point plan

- No new Japanese car plants would be allowed in Europe, and the planned production volumes at the three plants currently under development in the UK by Nissan, Toyota and Honda should be reduced;
- Quotas on Japanese car sales in the EC would be maintained for 10 years from the beginning of 1993, with the possibility of a further extension beyond the year 2002, if the Japanese failed to show "reciprocity";
- The overall EC restriction on Japanese sales would be maintained at a share of 10 per cent for the whole of the 10-year period, as would all existing bilateral limits such as the 3 per cent limit in France;
- The quotas would include all Japanese cars whether imported or assembled inside the Community. Any increase in transplant output would lead to a corresponding cut in imports;
- The EC should establish aid programmes to assist investment and research in the European car industry and in other industrial sectors under attack from the Japanese.

EC carmakers want 10-year protection from Japanese

By William Dawkins in Paris

THE HEADS of four of the European Community's biggest carmakers have shown agreement that they want at least 10 years' protection from free Japanese import competition.

Fiat, Volkswagen, Peugeot and Renault, representing well over half European car production, showed a significant toughening of their demands at a debate in Paris, possibly a response to rising oil prices and the downturn now hitting major car markets.

It is a clear public confirmation that Volkswagen backs the French and Italian carmakers' pleas for protection, in contrast with its former inclination towards free trade with Japan. This places the French, Italian and most of the German car industry more firmly than ever at loggerheads with the EC. Brussels is grudgingly ready to support five years' voluntary restraint by Japanese exporters to the EC.

"It is impossible to think of less than 10 years as the period we need to acquire technological credibility," Mr Umberto Agnelli, vice-chairman of Fiat, told the debate, organised by Action Automobile, a car industry magazine.

The EC should allow unimpeded competition from Japanese carmakers only on condition Japan reduced barriers in restricted sectors such as banking, insurance and public works, argued Mr Raymond Lévy, chairman of Renault.

Dr Carl Hahn, chairman of Volkswagen, accepted his French and Italian competitors' arguments that European car makers needed a breathing space to adjust to Japanese carmakers' deep cultural and structural advantages. "I agree, except that there are things they do better than we do, and we must learn from them. We must have a certain humility," he said.

Dr Hahn could not, for example, imagine asking Volkswagen workers to accept Japanese holiday conditions. Yet if European car makers failed to use this period to adapt, "the first dish that their workforce will be served on January 1993 will be unemployment".

The debate was not attended by Daimler-Benz, isolated as the only major European-owned carmaker in favour of free trade. Between them, the four represent just over 7m of the 13.4m cars made in Europe, by companies of all nationalities, last year. Dr Hahn and Mr Jacques Calvet, chairman of Peugeot, argued Europe needed to strengthen its component-making industry. One option was more joint purchasing of the kind practised by Renault and Peugeot in France, Mr Calvet said.

E European cargo gives boost to Greek port

By Kerin Hope in Athens

SALONICA, the northern Greek port, expects to profit substantially from political changes in the Balkans which are helping to boost cargo movement to record levels.

Transit trade from Bulgaria in the first six months of 1990 reached 100,000 tonnes, almost triple the entire 1988 figure of 35,000 tonnes. Contracts already signed indicate the total for the year will exceed 300,000 tonnes.

"We've taken advantage of the lifting of restrictions in Bulgaria on which ports can be used for exports by offering extremely favourable rates," said Mr Sotiris Kiossis, general manager of the Salonica Port Authority.

Yugoslav cargo, which fell by 45 per cent last year to 470,000 tonnes, because of the country's domestic economic problems, is expected to total at least 800,000 tonnes this year, he added.

Mr Kiossis says he also anticipates that recent marketing efforts in eastern Europe will attract cargo from both Czechoslovakia and Hungary by the end of the year.

Cargo movement through Salonica last year amounted to 14.5m tonnes, while net revenues totalled Dr1.69bn (£5.8m). An increase of at least 10 per cent in tonnage handled is forecast for 1990.

A Dr2bn expansion plan includes the purchase of a second 40-ton gantry crane to increase container handling capacity and four new electric cranes.

Initial funding has also been approved for landfill work which will cost up to Dr7bn and enable the port to be linked directly with the city's railhead.

Malaysia joins copyright pact

MALAYSIA has formally joined the international copyright pact after amendments to its copyright laws came into force, its Trade and Industry Ministry said yesterday, Reuter reports from Kuala Lumpur.

Membership of the Berne Convention will help check piracy and bolster growth in the computer, music and publishing industries, the official Bernama news agency quoted a ministry statement as saying.

Malaysia's parliament approved amendments to its 1987 Copyright Act last July. The amendments came into force on Monday.

Mexico pushes for wider talks on free trade

Richard Johns on the drive towards trilateral negotiations with the US and Canada

MEXICO'S enthusiastic drive to expand negotiations with the US on a free trade agreement to embrace Canada as well on a trilateral basis have been fired by a rising trade surplus with the next most readily accessible industrialised country.

Preliminary discussions are not expected to start until next March at the earliest, depending on whether President George Bush's notification of his administration's intent to negotiate a free trade agreement with Mexico receives a "fast track" go-ahead from Congress.

Mr John Crosbie, Canada's minister of trade, recently announced his government's decision to involve itself in the consultations stressing the potential opportunities and advantages of a final negotiated accord. But it has been Mexico's initiative which has forced it to participate, according to western diplomats here.

Canadian officials say that exploratory talks would be aimed at establishing guidelines, dates and agenda. "Canada wants a good agreement according to our timetable," one stressed, reflecting, perhaps, Canada's agonising over the cost-benefit analysis of the North American Free Trade Agreement (Nafta), which came into force at the start of 1989.

After the US, Canada is the second most obvious market to exploit through its comparative advantage of a cheap, albeit increasingly restive, labour force.

It has been undergoing an increasing deficit in bilateral merchandise exchanges with Mexico.

In the first half of this year Canadian imports from Mexico were valued at C$936.6m (US$813.3 cif) compared with exports of C$341.9m fob, according to Ottawa's statistics. For 1990 as a whole, Mexican sales are expected to reach about C$2bn compared with purchases of about C$700m.

In 1989 Mexico enjoyed a surplus of C$1.09bn bilateral trade worth C$2.30bn, compared with C$883m in the previous year, as Mexico's surplus rose by 31 per cent.

If and when it comes to hard bargaining, the most contentious issue is likely to be the motor industry. Completed vehicles and automotive parts constitute both Mexico and Canada's most important exports to the US.

Yet in this area the equation is confused by Mexico's *maquiladora*, or in-bond, industry. Through this means the Canadian company Fleck has become a major exporter of ignition wiring sets to the US from Mexican territory.

President Carlos Salinas de Gortari's administration also wants to stimulate hitherto negligible Canadian investment, still calculated at rather less than US$450m and concentrated mainly in the mining industry to create more employment opportunities.

President Salinas: wants greater Canadian investment

The only significant Canadian presences are Moore, which produces plastic credit cards and Bata, which is more involved in the distribution than manufacture of shoes, a sector, like textiles, which has been hard hit by Mexico's *apertura*, or trade opening.

Increasing Canadian investment and resulting employment opportunities are the main points emphasised so far by Mr Jaime Serra Puche, minister of commerce and industry, to alleviate fears about economic domination by a powerful neighbour, the US. He is scheduled to return to Mexico from Canada at the weekend.

It is a fear felt by the vast majority of the population, unlike Mr Salinas and his technocratic colleagues, who have not been inculcated with free-market convictions at prestigious US universities.

There is no doubt that Mexico wants to achieve the wider free trade area far more quickly than Mr Brian Mulroney's government in Ottawa, which had to call a bitterly fought election to approve the Nafta.

He was happy enough in March to conclude a new framework agreement aimed at increasing trade and investment flows between the two countries, but answered negatively the question as to whether Mexico had shown interest in joining the Nafta when it was subsequently learnt that the Salinas initiative had been taken in the previous month.

At least, though, Canada is not so directly affected by the issue of the free movement of Mexican labour, which is bound to figure in US negotiations.

Quite apart from the fierce opposition of Mexico's far-from-insignificant centre-left Party of the Democratic Revolution to the Salinas administration's decision to enter into negotiations on free trade with the US, the Mexican private sector – while generally approving the US negotiations – has been slow to react coherently to announcements made in Ottawa.

Almost ritualistically it was welcomed by the Centre for Private Sector Economic Studies, an off-shoot of the supreme Business Co-ordinating Council, exuding the confidence of the more competitive industries and strong export-orientated groups. But the Confederation of National Chambers of Commerce promptly warned of the need to show caution in the defence of weaker sectors, like textiles, shoes and food processing.

At the same time the press, noteably El Finaniciero, has routinedly chronicled reports of the negative affects of the Nafta on Canada. With reference to the US negotiations the latest edition of the radical Proceso magazine, published on Sunday, had as the headline for its cover story: "The Commercial Agreement Sought By Mexico Is Already Devouring Canada."

Brazil makes cigarettes for export to Soviet Union

By Patrick Knight in São Paulo

PHILIP MORRIS do Brasil has started making cigarettes for export to the Soviet Union via the US as part of the contract arranged by the US parent company to export 20bn cigarettes there.

An extra shift has been put on at a factory previously owned by R.J.Reynolds, whose cigarette operations in Brazil were bought earlier this year by Philip Morris for $50m.

Philip Morris earned $26.6m from cigarette exports last year, more than one quarter of the company's turnover. The other two manufacturers, R.J.Reynolds and British American Tobacco's subsidiary Souza Cruz, exported $17.5m between them last year.

Brazil earned $15m from cigarette exports in 1987, $26m in 1988 and $44m last year.

Brazil is now the world's second largest tobacco exporter and sales of 169,000 tonnes will bring in about $560m this year, 15 per cent more than in 1989, although volumes are lower. About half the cigarettes go to Latin America or the Caribbean, although Souza Cruz sells to the Middle East via Cyprus.

Buthelezi 'no' to ANC talks imperils black peace hopes

By Patti Waldmeir in Johannesburg

CHIEF Mangosuthu Buthelezi, the Zulu leader, has refused to attend a planned meeting with the African National Congress (ANC), jeopardising prospects for a peace agreement to end fighting which has left nearly 800 South African blacks dead in the past two months.

Buthelezi: Inkatha leader

The ANC said yesterday it regretted Chief Buthelezi's decision not to attend the meeting, due to be held on Friday, between ANC officials and leaders of South Africa's six non-independent black homelands.

The ANC's decision to invite Chief Buthelezi, Chief Minister of the KwaZulu black homeland and leader of the Zulu Inkatha party, had raised hopes the two sides could overcome the bitter political rivalries which have sparked much of the fighting.

But the chief said yesterday that the gathering was "not the kind of meeting that can contribute to defusing violence".

He had earlier protested that he would not attend the meeting as a homeland leader – the terms in which the invitation was issued – but as leader of the Inkatha political party.

The meeting would have brought the Inkatha leader together with Mr Nelson Mandela, deputy president of the ANC, for the first time since Mr Mandela's release from prison last February. He has insisted on a one-to-one meeting with Mr Mandela, but ANC officials have long opposed this.

The invitation to Friday's gathering, issued a fortnight ago, represented an attempt to bring the two leaders together without giving Chief Buthelezi pride of place in one-to-one talks.

Nevertheless, it represented a significant concession on the part of the ANC, which blames Inkatha for the deaths of more than 4,000 people in Natal Province during the past four years.

ANC officials also accuse Chief Buthelezi of undermining the anti-apartheid struggle by participating in Pretoria's discredited homeland system of segregated government.

For his part, the chief clearly wishes to force the ANC to acknowledge his position as the most powerful black leader in the country after Mr Mandela. His Inkatha party claims 1.7m members, and the allegiance of a large portion of the rest of South Africa's 7m Zulus.

Despite yesterday's setback, bilateral talks are expected to continue between senior officials of the ANC and Inkatha, excluding the leaders of the two organisations.

Significant progress has been made in these talks in recent weeks, with a local peace agreement signed in Natal Province and the prospect of local agreements elsewhere.

Violence in townships near Johannesburg appears to have abated in the past fortnight, following a security crackdown which includes roadblocks, a night-time curfew and confiscation of weapons.

Japanese index rises 13% in record rally

By Michiyo Nakamoto and Stefan Wagstyl in Tokyo

JAPANESE equities yesterday staged their biggest-ever rally, taking the Nikkei index up 13 per cent, amid hopes that the market's long decline could be over.

Investors took heart from encouraging signals over the Middle East crisis, from news of the US budget deficit agreement, falling oil prices, lower interest rates and a surge on Wall Street on Monday. These influences combined with the impact of Finance Ministry market-supporting measures disclosed on Monday.

The Nikkei average jumped 2,676 points to close at 22,898. "We had expected something of a rebound but we were totally amazed by the extent of the rise," said a broker at a foreign company in Tokyo.

Mr Kenji Dobashi, general manager of the investment research department of Nomura Securities, said: "I think we have now seen the bottom of the decline. Although the recovery will be bumpy, it will be a recovery."

Others were not so sure, pointing to the fact that yesterday's leap still left the Nikkei short of where it stood a week ago, before it launched into its most recent panic-driven fall. Trading yesterday was only 550m shares. Mr Yusuke Fujiwara, of Baring Securities, said: "The market rose in a vacuum." On the futures market, both the Nikkei and Topix futures rose by the maximum daily limit and no trading was done.

Some brokers believe that traders were looking for any excuse to bid up prices after such a sharp decline. As a result they may have over-estimated the importance of the news events which moved the market. For example, great store was set by President George Bush's peace-minded speech to the United Nations. But US and Iraqi forces still confront each other in the Gulf. Similarly, oil prices eased but remain 100 per cent higher than before the invasion.

Perhaps the most substantial development was an easing in domestic interest rates, in response to remarks from Mr Ryutaro Hashimoto, the finance minister, hinting at a need for an easier credit policy. The yield on the benchmark 11th issue 10-year government bond fell to 8.245 per cent on the Tokyo Stock Exchange, down from 8.540 per cent on Monday. This is the lowest yield since August. Short-term rates also fell.

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Classic dilemma for Thai policy makers

The stock exchange has fallen 43% since the Kuwaiti invasion, reports Paul Taylor

WHEN Thailand's Finance Minister, Mr Virabongsa Ramangkura, returned to Bangkok at the weekend following the International Monetary Fund/World Bank meetings in Washington last week he faced a classic dilemma.

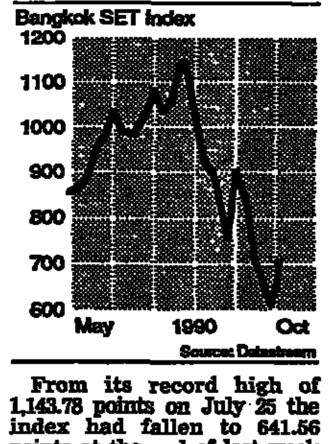
On the one hand lack of investor confidence in the economy, measured by the slump in the Securities Exchange of Thailand index, suggests an easing in domestic monetary policy.

On the other, soaring international and domestic fuel prices pose a serious inflation risk in an economy overheating following three years of near double digit economic growth.

Today he is expected to meet the country's newly appointed central bank governor, Mr Vijit Supinit, in an attempt to resolve the policy dilemma.

The two men will meet against an unusual backdrop, even for fast moving and volatile Thailand. The SET index has fallen by more than 500 points or 43 per cent since Iraq's August 2 invasion of Kuwait.

Thailand



From its record high of 1,143.78 points on July 25 the index had fallen to 641.56 points at the end of last week prompting the English language daily, the Nation, to dub it "black September". At the same time trading volume has shrunk from a peak of baht 110bn (£2.34bn) in July to a modest baht 36.8bn last month.

Despite some slight improvement few are bold enough to predict the decline has bottomed out. Some believe the market could fall another 100 points.

Concern by the Thai authorities is reflected in a range of measures undertaken in recent weeks to bolster market confidence and rebuild liquidity. Among these, Mr Virabongsa has supported a doubling of the baht 5bn Ruam Pattana Fund II - effectively a stock exchange lifeboat fund backed by brokers.

In recent weeks the fund is reported to have been investing about baht 100m a day to support the market.

Other measures have included quick approval for three new foreign close-ended funds, and the Finance Minister's suggestion that tax exemption for certain securities transactions be extended.

In August, the Bank of Thailand eased restrictions on bank and security firms' capital ratios, allowing them to increase their stock investment portfolios to 100 per cent of capital funds from 60 per cent previously and pumped short term liquidity into the banking system.

So far these official measures have failed to revive the flagging market. One reason for this could be more deep seated investor nervousness about the economy and domestic politics.

On the political front, the ruling coalition, led by Prime Minister Chatichai Choonhavan's Chat Thai party, has been shaken in recent months by almost daily public rows, internal bickering and persistent allegations of corruption.

The coalition's standing has been dented by two domestic fuel price increases which have added about 30 per cent to the price of petrol and fuel oils and triggered student protests and demands from opposition MPs for a recall of Parliament to discuss the economy.

Higher oil prices are expected to reduce growth from about about 10 per cent to 8 per cent in 1990.

Assuming oil prices of not less than $30 a barrel, most private sector economists such as those at the Thai Farmers and Siam Commercial banks, are forecasting growth of not more than 7 per cent next year down from earlier forecasts of about 9 per cent.

Private sector economists are forecasting an inflation rate next year of 10 per cent compared to the present year on year rate of about 6 per cent.

Export earnings are also likely to be hit. Central bank estimates suggest the effect of the Gulf crisis could cut exports significantly and produce a trade deficit of baht 270bn compared with the baht 220bn expected for 1990.

Mr Virabongsa insists the Thai stock market remains attractive because of the strong fundamentals of the Thai economy. Indeed, despite market qualms - and even after downward revisions - the economy remains not just buoyant but booming.

While serious concerns - such as the prospect of a hotel and construction sector collapse because of recent overbuilding - loom large, most analysts believe the Thai economy has more than enough vibrancy to withstand the impact of higher oil prices.

Mr Virabongsa and Mr Vijit may well decide to continue to hold a steady course, rejecting calls from those seeking dramatically easier monetary conditions.

Nigerian debt deal hopes grow

By Michael Holman, Africa Editor

AN EARLY resolution of the five-month deadlock over rescheduling terms for Nigeria's $5.5bn commercial bank debt appeared likely yesterday after a meeting in London between senior Nigerian officials and representatives of creditor banks.

Speaking after what he described as "informal, getting to know you" discussions, Alhaji Abubakar Alhaji, Nigeria's new finance minister, said that the two sides "were gradually narrowing down the areas of disagreement" between them.

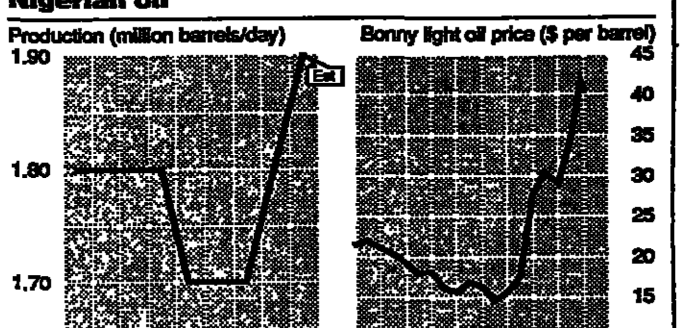
A formal round of negotiations, he said, is scheduled to take place in London at the end of this month.

The minister, who on Monday had announced that a new SDR375m (£274.5m) standby agreement with the International Monetary Fund will go to the IMF board for approval next month, was accompanied by Alhaji Abdulkadir Ahmed, governor of the Nigerian central bank.

The IMF agreement, welcomed by the commercial banks yesterday, is also seen as clearing the way for a meeting between Nigeria and the Paris Club of creditors, probably in early December, Nigerian officials said.

Deadlock over terms for rescheduling of the commercial bank debt began last May, when Nigeria announced it could no longer make payments on the debt. The government proposed that it be rescheduled over 30 years and a 3 per cent annual interest rate.

Nigerian oil



Although this was rejected, Nigeria declined to make any significant change to its position when the two sides met again in London in July. A further round of talks the following month were abruptly terminated when news came from Lagos that Chief Olu Falae, the then finance minister, had lost his job in a cabinet reshuffle.

His replacement, however, is a veteran of the Nigerian administration, and close to President Ibrahim Babangida. He has served as permanent secretary in the ministries of finance and planning, and as minister of budget and planning, before his move to finance.

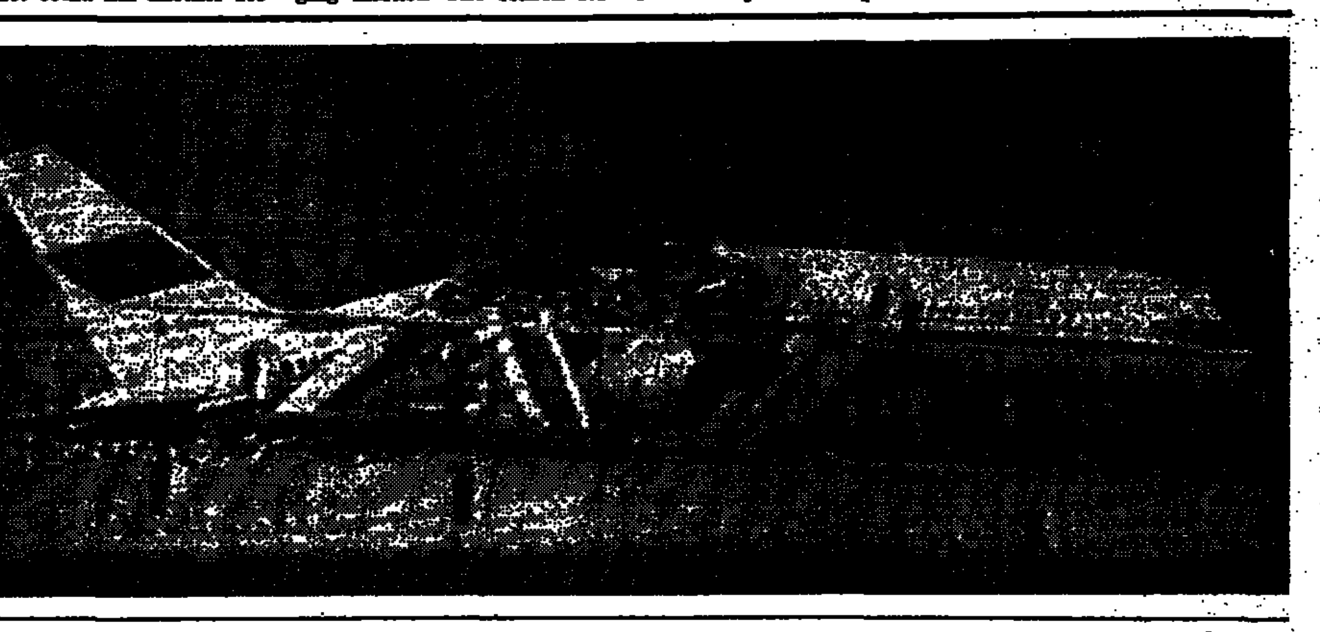
At yesterday's meeting the Nigerian team outlined the IMF agreement and reviewed economic developments over the past few months. In particular, they assessed the benefits of the sharp rise in international oil prices on the Nigerian economy. The country's production has risen from around 1.7m barrels a day to 1.9m b/d with the price approaching $40 per barrel. The 1990 budget was based on an average price for the year of $16 a barrel.

Hijack aircraft crash kills 127

The wreckage of a Chinese airliner lay strewn across Canton's Baiyan airport yesterday after being struck by a hijacked airliner. A total of 127 people were killed.

The Boeing 737 was hijacked after it left the south-eastern port city of Xiamen for the 70-minute flight to Canton. A bomb exploded aboard the aircraft as it tried to land. It hit an empty parked Boeing 707 and then smashed into a Boeing 757 which was on the ground loaded with passengers. There were 100 survivors.

Aiport officials said Chinese, Taiwanese, and Hong Kong Chinese were among those aboard the two aircraft.



World Bank mission for Iran

By Nancy Dunne in Washington

THE World Bank plans to send a mission to Iran within two weeks to assess earthquake damage in the north-west of the country in response to an Iranian government request for an emergency reconstruction loan.

If approved, it will be Iran's first World Bank borrowing since before the 1979 Islamic revolution.

About 40,000 lives were lost in the earthquake which struck last June. A bank spokesman said the loan would be designed "to bring life back" to the region.

It is not known, he said, if the loan would provoke political controversy within the bank. Similar loans for humanitarian purposes to China have been receiving approval with little difficulty, and it is believed that a loan to Iran would have western support as well.

Iran last borrowed from the World Bank in the mid-1970s. An Iranian official said the country Iran had just over $116m (£61.7m) in loans outstanding with the bank on June 30.

Tehran, seeking foreign help to revive its war-hit economy under President Ali Akbar Hashemi Rafsanjani, has begun forging new ties, disrupted by the revolution, with the twin Washington-based international lending agencies.

An IMF team visited Tehran in February for the first full-scale talks and a comprehensive review of the Iranian economy since 1978.

Supporters stop Bhutto hearing

POLICE officers watched helplessly as hundreds of supporters of Ms Benazir Bhutto crammed into a courtroom in Lahore yesterday making it impossible for the ousted prime minister to appear before a special court on charges of corruption, Farhan Bokhari reports. Ms Bhutto waited in a judge's chamber as more than 500 people crowded into the courtroom. The judge adjourned the hearing until next week.

Ms Bhutto was charged with helping her husband's business to secure planning permission and land at reduced rates for construction of Islamabad's Lake View Hotel.

Li accused of running a 'very cosy club'

By John Elliott in Hong Kong

MR RONALD LI, the former chairman of Hong Kong's stock exchange, was yesterday accused of running the exchange with his relatives and close associates in the mid-1980s as a "very cosy club" of which he was the "captain".

Mr Li is on trial on corruption charges based on his purchase of 500,000 Cathay Pacific Airways new issue shares in 1986, plus 200,000 Novel Enterprises shares in 1987, when he was also the chairman of the exchange's listing committee.

Yesterday Mr Michael Kalisher QC, prosecuting counsel, built up evidence while cross-examining Mr Li which echoed the findings of an official report conducted after the 1987 world markets crash. The report said that "an inside group treated the exchange as a private club rather than a public utility".

Speaking in Cantonese through an interpreter, Mr Li resisted giving immediate direct answers to many questions. But he agreed his lawyer son, Alfred, was the exchange's legal adviser until 1988. His other son Lawrence was the medical adviser and a company run by his son-in-law manufactured the exchange's souvenir tie pins.

Answering questions about Sun Poh Shing Finance, his main company, Mr Li agreed his son Alfred and all but one of the exchange's listing committee vice chairmen had direct or indirect stakes.

Sun Poh Shing had a 25 per cent stake in SPS Investments in which Alfred owned 67.5 per cent. SPS sub-underwrote substantial blocks of shares to Mr Li and his associates. The same people were linked with four other companies, one of which was 50 per cent owned by Mr Li and rented premises to the stock exchange for its club.

Mr Li described Mr Kalisher's accusations of a "small closed club" as "unfair and inaccurate". He said he bought and sold shares as a professional stock broker engaged in trading, and this had no connection with his function as chairman of the exchange and the listing committee.

When asked whether he had bought the Cathay Pacific shares for his stock broking firm or for himself, he said: "I am the largest client of myself".

Mr Kalisher produced documents which showed that Mr Li's share dealings produced profits of HK$3.5m (£239,000) in 1985-86, HK$31.5m in the following year, and HK$19.5m in 1987-88.

NEWS IN BRIEF

Kabul rocket attack leaves 22 dead

At least 22 people were killed in a rocket attack by mujahideen guerrillas on the Afghan capital Kabul yesterday, Reuter reports from Kabul. More than 30 others were injured. Most of the victims were queuing to buy coal in the city's Khushal Khan district when the rockets struck. It was the second big mujahideen attack on Kabul in three days. At least 10 people died in a rocket barrage on Sunday.

Rumours of an imminent full-scale attack on the Afghan capital were discounted by diplomats and aid workers in Kabul who said there was disunity among mujahideen groups.

Mercy flight to Phnom Penh

An aircraft bearing the Red Cross insignia and 4.5 tonnes of medical supplies left for Phnom Penh yesterday the first of what is to become a regularly scheduled flight carrying humanitarian aid to Cambodia. Most of the supplies were destined for Mongkol Borei, in the embattled northwest, where the International Committee of the Red Cross has established a medical outpost.

Kaifu warns minister

Mr Toshiki Kaifu, the Japanese prime minister, gave his justice minister a stern warning for his racial slur against American blacks but will not demand his resignation, the Foreign Ministry's spokesman said yesterday, Reuter reports from Tokyo. Mr Seiroku Kajiyama said on September 21 that American blacks and foreign prostitutes in Tokyo were similar because both destroyed good neighbourhoods.

New Zealand vote boycott urged

Leading New Zealand churchmen have called for a boycott of this month's general election in protest against the failure by all parties and governments to honour the Treaty of Waitangi, which ceded sovereignty of New Zealand to the British Crown, Dai Hayward writes from Wellington.

Lisbon intrigue claims Macao governor

John Elliott reports on the resignation of Carlos Melancia

AS GOVERNORS go, those in the Portuguese enclave of Macao have been pretty accident prone. One was murdered in the 17th century and another was beheaded in the 1850s. Many have fallen foul of the internecine politics that link the place to Lisbon, and several have been suspected of corruption in a post which can be highly lucrative.

The latest man to fall is Mr Carlos Melancia, a 62-year-old Lisbon politician who had looked more durable than most until the last few months. He comes from an engineering background, and when he arrived in August 1987 he seemed determined to push harder than his predecessors for economic and political initiatives needed to develop the enclave and prepare it for 1999 when it returns to China.

Last week, however, Mr Melancia resigned after being served in Lisbon with a summons connected with alleged bribery over a international airport contract.

Mr Melancia has denied ever being involved. In an interview four months ago he said that this and other personal attacks made against him in Lisbon were an inevitable consequence of domestic political activity in the run up to Portugal's presidential election next February. "Problems will ease soon," he said confidently.

Melancia: denies involvement

Located 40 miles across the Pearl River estuary from the British colony of Hong Kong, Macao rarely steals the limelight from its immensely more successful and glittery neighbour. It has a population of only 444,000 (Hong Kong has 5.7m) on a land area of 17.4 sq km, and its main claim to fame and prosperity is its role as a regional gambling haven.

But when Macao does hit the headlines it is usually because of some intrigue linked with Lisbon's politics and the personal ambitions of the enclave's top officials.

Mr Melancia's predecessor, Dr Pinto Machado, resigned in 1987 after falling out with Dr Mario Soares, Portugal's president, who personally handles Macao's affairs. The Macao governorship is one of the few public appointments in the president's personal gift and this makes it highly vulnerable to political intrigue and attack around election time.

This leads to frequent changes of governor and a serious lack of administrative continuity, exacerbated because each governor usually changes the enclave's top officials.

Dr Soares has said that a successor to Mr Melancia will not be appointed until after the February election.

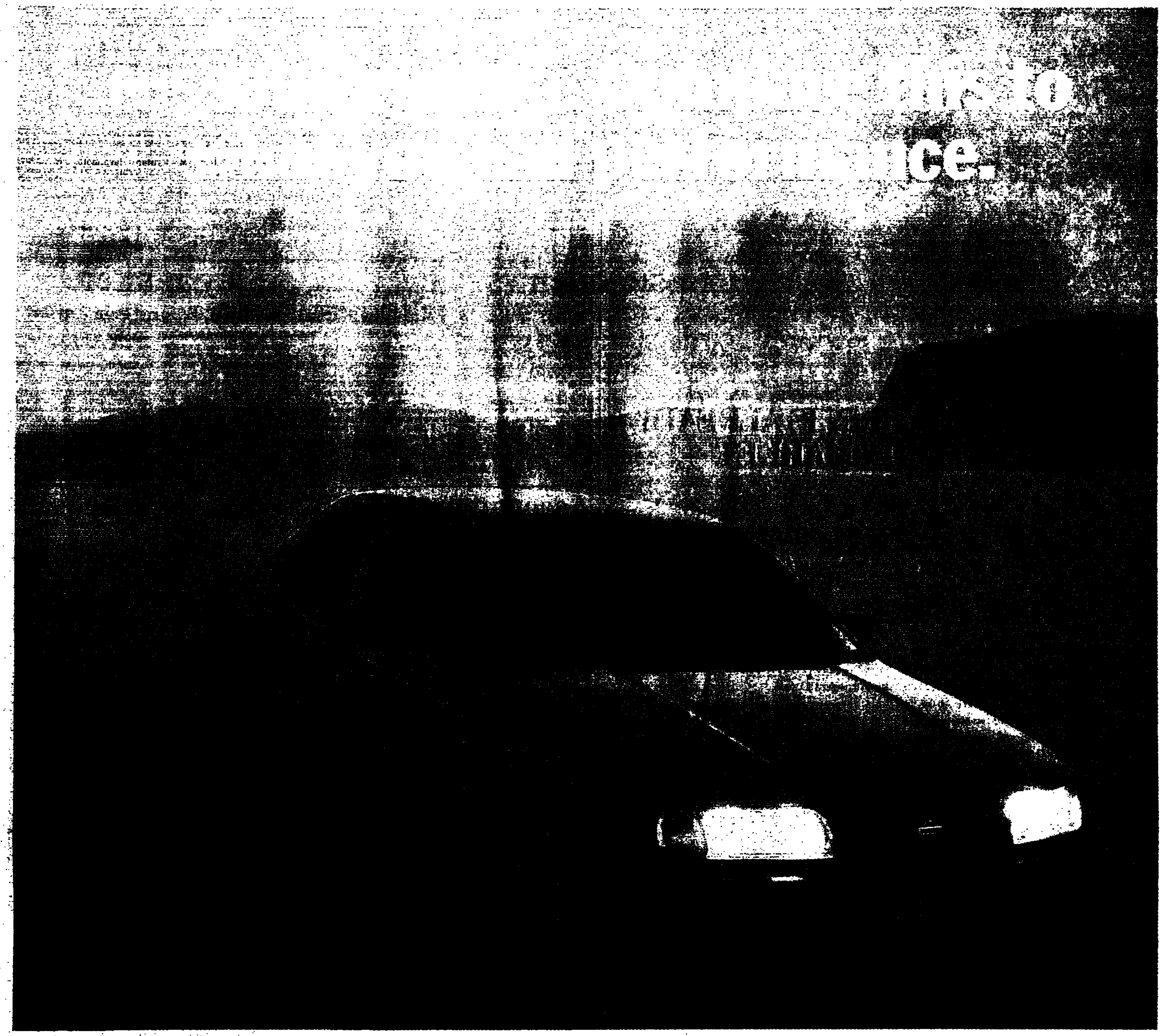
In the meantime, Dr Murteira Nabo, the under secretary for economic affairs, will be acting governor. Dr Nabo, aged 51, worked in Portugal for Marconi and was briefly minister for transport in Lisbon in 1985-86. He went to Macao as under secretary for education in 1987.

The administrative upheaval comes at a sensitive time for Macao because China has been voicing impatience about what it has described as Portugal's sluggishness in preparing for 1999. In particular, work is far behind schedule on both the translation of local laws into Chinese and the development of Chinese speakers among local mixed-race local Portuguese-Chinese officials to take over the administration.

Peking has also objected this year to the new title of a Lisbon-approved basic statute, which it says sounds too much like a constitution, and has even demanded the removal of a statue of a controversial 19th century governor from the centre of the enclave.

Mr Melancia hit back uncharacteristically in July and accused China of "trying to interfere in Macao's internal affairs". That is believed to have been partly designed to bolster his image in Lisbon.

These rows have upset years of smooth relations with China, which wields extensive power and influence. But they have not upset economic development which has accelerated in the past couple of years. The new governor will inherit an enclave which is enjoying considerable prosperity but which needs better administration with more continuity than Mr Melancia had time to introduce.



UK NEWS

Education reform put at centre of Labour Party policy

Kinnock outlines election strategy

By Philip Stephens, Political Editor

MR NEIL KINNOCK yesterday sought to cast the Labour Party in the role of a "government-in-waiting" with a pledge that it would devote all of its energies in office to strengthening Britain's productive and competitive performance.

In a speech to the party's conference designed to demonstrate that Labour was now "fit to govern", the Labour leader confirmed that it would put a comprehensive overhaul of the education system at the centre of a plan to make Britain "a capable country".

A first objective would be a gradual increase in the resources devoted to education from the present 4.8 per cent of national income to 5.5 per cent.

Adopting the deliberately cautious tone that has run through the conference proceedings, Mr Kinnock warned that there was no prospect of any reduction in the level of taxation under a Labour government.

There might be tax incentives to promote savings and investment and those on the highest incomes would pay more. Beyond that, however, any lowering of the general levels of taxation would mean a further decline in the services "essential to life in a civilised, secure community".

Neil Kinnock yesterday: Labour would not reduce taxes

Mr Kinnock's speech, which he said might well mark the last such occasion before the general election, won a warm ovation from the delegates in Blackpool's Winter Gardens. In private, however, some of his colleagues admitted that they were disappointed that he had not given a sharper focus to the election strategy.

"It was statesmanlike, which was right. But it did not have lift," one member of the "shadow cabinet" said.

Others said the aim had not been to make any startling new announcements but to begin projecting the Labour leader as a future prime minister.

Later today, however, he faces a defeat by the conference on defence spending. The delegates are expected to ignore his recommendation and vote instead for sharp cuts in defence spending to pay for better public services.

The conference is also expected to vote tomorrow for a stronger commitment than the leadership would like to study the possibility of the introduction of proportional representation for elections to the House of Commons.

Yesterday, Mr Kinnock said that, alongside Labour proposals to greatly expand education and training, the party would give priority to the creation of a strategic policy for science and technology and to building a new transport system.

In particular, it was committed to a modern high-speed rail network which would be financed through a partnership between the private and public sectors.

He sought to underline his party's responsibility in foreign affairs with a strident condemnation of Iraq's invasion of Kuwait. He underlined his support for the government's demand that President Saddam Hussein should withdraw unconditionally from Kuwait.

He then went further by saying that, even after such a withdrawal, the international community would have to insist on the destruction of Iraq's capacity to manufacture chemical weapons to prevent it from developing a nuclear capability.

Executive Kinnock, Page 15

Accountants vote on monitoring proposals

By David Waller

THE VAST majority of the 10,000 chartered accountancy firms conducting audits in the UK will not be monitored at all for compliance with auditing regulations contained in last year's Companies Act, according to proposals being voted on today by the Council of the Institute of Chartered Accountants in England and Wales.

The UK's chartered accountancy bodies are planning a low-key approach to audit regulation. Regular monitoring of compliance will be confined to the minority of firms which audit listed companies, and the draft rule-book to which all auditors will have to adhere will only be 160 pages long.

The proposals are designed to bring the accountancy profession in line with the auditing regulations. They will have to be approved by the Department of Trade and Industry before the ICAEW and its sister bodies in Scotland and Ireland become recognised supervisory bodies under the terms of the legislation.

Given a number of spectacular audit failures in the last year, this "softly softly" approach will undoubtedly attract criticism. But the accountancy bodies will argue that the costs of any heavier regulation would far outweigh the benefits.

According to the proposals, regular monitoring will be reserved only for those firms which audit listed companies, of which there are thought to be some 250 in the UK, with some 85 per cent of all listed companies audited by the top 20 firms. This tier of 250 firms will be visited by inspectors from the professional accountancy bodies once every five years, it is intended.

Firms which do not audit listed companies — perhaps 9,750 of the total — will not be inspected on any regular basis. A pool of 150 firms will be identified each year, of which a handful will receive visits from the inspectors.

The monitoring requirements are less strenuous than those imposed by the Financial Services Act on accountancy firms conducting investment business. Those firms looking after client money are visited every two years, while those handling other types of investment business are visited every five years.

According to Mr Bruce Picking, director of Practice Regulation at the ICAEW, the reason for the brevity of the rule-book is that it will contain numerous references to existing, voluminous professional rules on auditing, which are already compulsory for chartered accountants but will now be given statutory backing.

The UK's three chartered accountancy bodies have 20 full-time inspectors monitoring firms for compliance with the FSA; it is estimated that another 20 will be recruited to monitor compliance with the Companies Act 1989.

The move towards monitoring represent a sea-change for the UK's professional accountancy bodies which for more than a century have maintained a strictly reactive approach to monitoring audit firms. Up until now, the professional bodies have only responded to complaints about audit firms but not monitored standards

UK NEWS

Economists say inflation to halve by end of 1991

By Peter Marsh, Economics Staff

LEADING economists believe UK inflation will be cut to half its present level by the end of next year, according to a summary of independent economic forecasts compiled by the Treasury.

Despite this relatively upbeat view of inflation trends, the economists are generally less confident about the likely state of the UK economy in 1991 than they were a month ago.

The summary provides average assessments of a range of economic indicators in 1990 and 1991, based on published predictions from 24 finance groups and economic research organisations.

It says inflation will be running at an annual rate of 5.3 per cent by the last three months of 1991. The current rate is 10.6 per cent. In August, the same group of economists put the likely level of inflation in the final quarter of next year at 4.8 per cent.

The summary of the forecasts also projects that 1.82m people will be out of work by the last three months of 1991. This is roughly 200,000 more than the numbers of unemployed people today and is 40,000 more than the figure predicted by the economists a month ago.

● Growth of staff numbers in the computing services industry, a key indicator of activity in British industry as a whole, has been in decline for the past 18 months and has now almost come to a standstill, according to the Computer Services Association.

Senior executives in the sector's leading companies say they have never known the industry so gloomy about the future and have no hesitation in using the word recession to describe the situation.

For the second quarter of this year, growth was a mere 0.4 per cent. The CSA said it was virtually certain that growth would be zero or negative for the third period, reflecting a trend among large companies to defer capital expenditure on new projects involving software or computing services.

State electric group plans revival of nuclear industry

By David Thomas, Resources Editor

THREE options for the revival of the UK nuclear power industry in the second half of the 1990s are being prepared for the government by Nuclear Electric, the state-owned nuclear power company in England and Wales.

Reactor designs new to the UK would be imported from France, the US or Japan under two of the options being drawn up. Nuclear Electric also wants the government to introduce a form of environmental allowance, which would credit it for not producing carbon dioxide, the main greenhouse gas.

This allowance, akin to a negative pollution tax, would replace the existing levy on electricity bills which subsidises nuclear power, due to expire in 1998.

The government is planning to review the future of nuclear power in 1994, the completion date for the Sizewell pressurised water reactor station under construction in Suffolk, south-east England.

Nuclear Electric has identified three options which it is likely to put to the review:

● A fast option would be to use the Sizewell design with only minimum modifications to build a new power station at Hinkley Point in Somerset. Planning consent for Hinkley was granted last month;

● A medium-term option would be to use the latest French, US or Japanese reactor designs for future nuclear stations. The company believes this could allow bigger stations to be built which would generate cheaper electricity. For example, a French design could be used for a 1,400MW station, rather than the 1,200MW station presently planned for Hinkley. It would cut the projected price of electricity from a new station from 4p a unit (kilowatt/hour) to 3.5p. This option, however, might require modifications to the Hinkley planning consent, which could delay the project;

● A longer-term option would be to import the "inherently safe" reactors being developed overseas, mainly in the US. While this could answer some concerns about nuclear power, it would delay a resumption of the programme until into the next century.

The nuclear levy is currently set at 10.6 per cent of electricity bills and Nuclear Electric believes the industry will require support after 1998, when the levy is due to end.

It is working on proposals for an environmental credit to recognise nuclear's role in combating global warming. A credit set at £8 a tonne of carbon dioxide saved, for example, would help nuclear's competitiveness with coal by 0.8p a unit.

Nuclear Electric believes it should also be credited for its role in maintaining diversity of fuel supply, perhaps at the level of 0.2p a unit.

Executive pay rises at 12% a year

By Simon Holberton

THE BASIC pay of British executives in the private and public sector rose by 12.3 per cent in the year to the end of July, according to a survey by consultants P-E Incubon.

But the survey, the largest in the UK, shows that inflation has hit top earners' real pay rises. Lower bonuses and other cash payments for managing directors and other directors has led to a reduction in the rate of growth of total remuneration.

The rise in Britain's inflation rate has meant that this year's increase in executive pay is covered 1.26 times compared with 1.41 times over a year ago. The average salary of executives in Britain was £32,646. Comparisons with previous years are not meaningful because of changes in the sample, P-E Incubon said.

It said bonuses for executives this year were significantly lower than a year ago.

Retail climate sends Sears profits falling

By John Thornhill

SEARS, the clothing and footwear group, yesterday unveiled a 32 per cent fall in pre-tax profits as a result of a downturn in trading conditions, a sharp increase in costs and the disruption caused by the restructuring of the British Shoe Corporation.

The company also announced that it was to wind down its housebuilding activities over the next three years and expects to realise about £100m in the process – in line with book value.

"We shall concentrate on our strengths in retailing and home shopping," Mr Michael Pickard, chief executive, said.

Mr Geoffrey Maitland Smith, chairman, warned that it was still a time of great uncertainty and urged caution regarding any expectation of an early upturn in trading. Non-food retailers currently faced cost inflation running at twice the level of product inflation, he said, as prices had increased by about 5 per cent while costs, fuelled by rate, rent and wage rises, had risen 10 per cent.

Sears' results were badly received in the City of London and the shares slipped 4p to 79p.

Despite the tough trading conditions, operating profits from Sears' retailing activities would have edged marginally ahead had it not been for a £14.4m fall in the contribution from British Shoe Corporation.

BSC, which includes the Freeman Hardy Willis, Saxone and Dolcis chains, is undergoing a substantial restructuring programme involving the closure of 200 outlets. The upheaval is expected to continue well into next year.

In the six months to July 31, taxable profits fell from £91.7m to £62.4m on sales 5 per cent ahead at £1.08bn (£981m). The interest charge rose to £11.7m (£3.9m) but tax payments were held to £16.5m (£28.4m).

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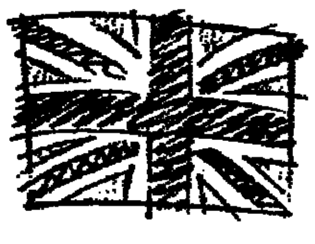
BRITAIN IN BRIEF



Plasterboard monopoly is ended

The near-complete monopoly of the UK plasterboard market by BPB Industries and British Gypsum, its plasterboard manufacturing subsidiary, has ended, according to report published by the Monopolies and Mergers Commission. BPB and British Gypsum are now to be released from undertakings given to the government in 1976.

Mr Peter Lilley, trade and industry secretary, said his decision to release BPB from these obligations was based on the MMC's finding that the market for plasterboard had been transformed by the advent in 1989 of two major competitors, Redland Plasterboard and Knauf UK, a West German subsidiary.

According to the MMC, there is now "vigorous price competition" which can be expected to continue at least while the substantial overcapacity in the industry persists.

Ronson appeal turned down

Mr Gerald Ronson, chairman of the Heron Group, jailed for a

Ronson: appeal denied

year and fined £5m for his part in the illegal Guinness share support operation, had an application for leave to appeal against his fine turned down by Mr Justice Henry, the Guinness trial judge.

He dismissed Mr Ronson's contention that the fine was excessive and that the nine months he had been given in which to pay was too short. "I reject totally that £5m represents a very substantial part of Mr Ronson's assets," the judge said. Mr Ronson also claimed that the fine was wrong in principle because it had been scaled to the means of the offender rather than the gravity of the offences.

Bank reserves down sharply

Heavy Bank of England intervention to support sterling led to a sharp fall last month in Britain's gold and foreign currency reserves, Treasury figures indicate. The underlying level of the reserves fell by $344m, the biggest monthly drop since March.

The figure was more than twice that expected by many City of London economists and indicated the size of the official effort last month to stop sterling from dropping. This had fallen largely because of concern in financial markets that Britain was unlikely soon to enter the European Exchange Rate Mechanism.

Directors show their confidence

A substantial number of UK company directors have been buying shares in their own firms, in a display of confidence in the corporate sector's ability to recover from the current economic downturn.

In September, the number of directors who bought shares in their own companies exceeded the number who sold shares almost fourfold, according to Directus, the Edinburgh-based firm which monitors such transactions.

Housing slump may be over

The housing market slump may have reached rock bottom, according to a survey of property experts published by National Westminster Bank. They believe the decline in the number of buyers had halted and house prices had stopped falling.

"The residential property market remains depressed, but the survey suggests that this situation has stabilised and is not becoming worse," NatWest said.

Property valuers throughout England were questioned for the quarterly survey, which showed house sales picked up in the last three months. "Nevertheless, there is still an imbalance between demand and supply," NatWest said.

Call for runway in south-east

Sir Christopher Tugendhat, chairman of the Civil Aviation Authority, has said that planning should start immediately for a new runway in the south-east of England. He warned that, although regional airports will continue to grow at a faster rate than Heathrow, Gatwick and Stansted, they will be unable to take up the strain from airports in the south-east.

Sir Christopher said the new runway would be needed in the early years of the next century and argued that British airlines and the national economy would suffer if adequate capacity was not provided.

Setback for Ulster dialogue

The government's nine-month search for political progress in Northern Ireland received a setback when unionist and nationalist politicians questioned the merit of the current bid to start formal inter-party negotiations.

Unionists reacted angrily to comments by Mr Seamus Mallon, deputy leader of the nationalist Socialist Democratic and Labour Party, that if Mr Peter Brooke, the Northern Ireland secretary, could not find sufficient agreement for talks, he should "tear up" the various party documents and "start with a clean slate".

Changes to TV superficial

Government attempts to reform British broadcasting have turned into a near-charade with the potential for change blocked by the British art of compromise, a leading

Gyngell: reforms a charade

ITV executive has said.

Mr Bruce Gyngell, managing director of breakfast television company TV-am, said that at the end of a long and costly legislative process the UK commercial television system was "going to finish up exactly the same as before".

Just as much change could have been achieved by leaving the current franchising process in place and implementing just one of the planned government polices – making the commercial ITV companies liable to takeover, Mr Gyngell said.

The controversial managing director who sacked more than 220 workers during an industrial dispute two years ago, said that he was "terribly disappointed that an opportunity for really making some deep-seated, meaningful change has been lost".

Industry to link up with schools

A group of 19 UK corporations has announced the formation of the Foundation for Business Education Partnerships, an organisation that is intended to promote closer ties between education and the business community.

Mr Iain Vallance, chairman of British Telecom and chairman of the FEBP board, said the group had arisen out of growing concern in industry that education is failing to provide young people with the necessary skills for the workplace. "We have not invested enough in our workforce," Mr Vallance said.

Mr Vallance cited a poll commissioned by FEBP showing that only 17 per cent of businesses had any links with local primary schools, while 53 per cent have some link with secondary schools and colleges of further education.

UK NEWS

Telephone duopoly on the line

Hugo Dixon on Oftel's plans to reduce the cost of international calls

THERE are two principal ways of forcing a monopolist to bring its prices down in line with costs. The first is to order it to do so, the second is to introduce more competition.

Sir Bryan Carsberg, director general of the Office of Telecommunications – the industry watchdog – has chosen to use both methods in an attempt to force British Telecom to cut the prices of international calls.

Earlier this week, he announced plans to cap BT's international charges and allow more companies to compete against BT and Mercury Communications, its only mainstream rival, to provide international services.

Oftel's action follows the revelation earlier this year by the Financial Times that customers worldwide are being overcharged by more than $10bn a year as a result of cartel practices.

Although Britain has lower international charges than many other countries, BT makes handsome profits from the business. An internal document shows that in 1987/88 it had a profit margin of 60 per cent from international calls. Sir Bryan said that since then, BT's return on investment from international calls had risen sharply and that its prices should come down to an "economically preferable" level.

One possibility is that BT would be required to make a one-off reduction in international prices early next year. After that, a formula would come into effect forcing it to make annual price reductions.

Oftel's idea is to put in place a price cap similar to the RPI-X formula used to regulate most of BT's domestic charges. It seems likely that a higher value for X would be chosen than the 4.5 per cent used on domestic calls.

The second prong of Oftel's

Sir Bryan Carsberg: plans

approach is to allow new competitors to lease capacity in bulk from BT and Mercury and then retail it to customers. Oftel does not have the authority to do this but has advised the Department of Trade and Industry to make the necessary changes in the regulations.

Legalising "resale" would be a quick way of introducing competition because new companies would not need to build their own networks. It is possible that rivals will also be allowed to build their own international networks as part of the government's review of the BT/Mercury duopoly which starts next month.

Oftel has advised that resale should only be allowed on those routes where the counterpart country also allows it, in order to prevent foreign monopoly phone companies from taking unfair advantage of the UK's open markets.

Sir Bryan said that resellers would only be allowed to provide calls to the US, New Zealand and possibly Canada, Japan and Sweden. These countries are the destination for about a third of Britain's international calls.

Because calls are expensive but bulk capacity is cheap, there is considerable scope for resellers to undercut the BT/Mercury duopoly. A report by the London-based International Institute of Communications has calculated that resellers would pay BT the equivalent of 5 cents a minute for a circuit between the UK and the US, compared with the current average rate of $1 a minute.

SCN, a Connecticut company, said yesterday it would be ready to offer international calls to the US at 73 cents a minute within seven days of the regulations being changed and that further price cuts could follow.

In order to prevent BT driving resellers out of the market by raising its prices for bulk capacity, Oftel is planning to impose a price cap on BT's international leased circuits.

It is not clear how BT and Mercury will react to the prospect of more competition. They could keep prices high with the aim of enjoying the current profit margins for as long as possible. The more aggressive option would be to pre-empt competition by cutting prices in the near future. This would involve sacrificing short-term profitability, but BT might calculate that it would thereby maintain its market share.

Cheaper phone calls could make the UK a more attractive centre for multinational companies to base themselves and thereby further BT's ambitions of becoming one of the world's leading phone companies.

The issues are the same for Mercury except that it is even more dependent on international traffic than BT – earning about 60 per cent of its revenue, and an even larger proportion of its profits, from this part of the business.

Oftel's action alone will not bring an end to the international phone cartel - phone charges are kept high by a series of bilateral and multilateral agreements which the UK cannot alter on its own.

However, Oftel is not acting alone. Two months ago the US Federal Communications Commission announced proposals to cut the price of outgoing international calls by half within three years. And the European Commission is expected to conclude an investigation into Europe's international call charges shortly.

Nissan attacked by distributor over pricing

By Kevin Done, Motor Industry Correspondent in Paris

NISSAN MOTOR, Japan's second largest car maker, was accused yesterday by Nissan UK, the privately owned company which holds the exclusive franchise to import and distribute the vehicles in the UK, of acting "unfairly" against the British consumer.

In a statement which intensifies the simmering conflict between the two companies, Nissan UK, which is controlled by Mr Octav Botnar, claimed that the British consumer was "effectively having to subsidise" the price of UK-built Nissan cars sold in West Germany, the Netherlands and Belgium.

Nissan UK has fought a campaign against the Japanese car maker all year to try to reduce the price at which it has to buy the Primera, the car which was launched on the UK market at last month's Birmingham Motor Show and which is built at Nissan's £640m UK car plant at Sunderland in north-east England.

The dispute between the two companies had already threatened to jeopardise the British launch of the Primera, until Nissan UK finally agreed at the end of August to pay the price demanded by Nissan Motor and placed its initial order for cars with the Sunderland plant.

Originally Nissan Motor had planned to sell close to 50 per cent or up to 50,000 of the Sunderland output of more than 100,000 Primeras a year in the UK market, but the dispute with its UK distributor is forcing it to sell more of the production abroad.

Nissan UK said yesterday that it had been asked to sell a minimum of 35,000 Primeras in the British market in 1991.

It said it could achieve this target, but claimed that it could sell an even greater number if Nissan Motor would cease to discriminate against British consumers and would lower its prices to levels it was charging in some other European countries.

Nissan UK said it "could sell even more if the Primera were priced at the same level against its direct competitors (Vauxhall Cavalier) as in Germany or the Netherlands, where the Primera is offered at a lower retail price than the equivalent model of Opel Vectra (Vauxhall Cavalier) and with £600 worth of extra equipment in the price at no extra charge".

MANAGEMENT

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Finance for non-financial managers. London, November 12-16. Fee: £1,449. Further enquiries: Moira Satur, Harbridge Consulting Group, Harbridge House, 3 Hanover Square, London W1R 9RD. Tel: 071-629 6341. Fax: 071-408 1667.

Effective customer account management. London, November 21-23. Fee: £755 + VAT. Further enquiries: Infomatics Resource Centre, 2 The Chapel, Royal Victoria Patriotic Building, Fitzhugh Grove, London SW18 3SX. Tel: 081-871 2546. Fax: 081-871 3866.

Leadership for project managers. London, November 5-9 (Part 1), May 2-3 1991 (Part 2). Fee: £1,150. Further enquiries: Miriam Dean, Programme Secretary, Management Programme, Brunel University, Uxbridge, Middlesex UB8 3PH. Tel: 0895 56461 extn 215. Fax: 0895 811737.

Maintenance 1990. Birmingham, October 16-19. Conference at National Exhibition Centre. Further enquiries: Conference Communication, Monks Hill, Tilford, Farnham, Surrey GU10 2AJ. Tel: 02518 3111/2066.

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In pursuit of quality

Prophet with converts in a far-off land

Simon Holberton assesses **Joseph Juran's** seminal contribution

Joseph Juran: To capture top management's interest "pray for things to get worse"

Joseph Juran, the 86-year-old patriarch of the quality movement, is rare among management thinkers.

Not only is he modest about his contribution to the post-Second World War quality movement in manufacturing, but he does not believe he has a monopoly on wisdom concerning the introduction of systems to improve quality.

His great age has also not diminished his capacity for radical thought. He envisages the company of the future as one where production occurs among a group of self-supervising workers capable of achieving high standards of quality while determining work organisation for themselves.

Juran was in London last week, on a tour billed as his last European visit, to talk at a two-day conference organised by David Hutchins Associates, a consultancy licensed to market his method in the UK. He held an audience of about 150 quality managers enthralled with his reminiscences, advice, and thoughts on the future of the corporation.

Juran's life spans most, if not all, of the modern manager's search for quality in manufacturing. From his early days at Western Electric, the then manufacturing arm of the Bell System in the US which he joined in 1924, to his proselytising the cause of quality to the Japanese soon after the Second World War, to his more recent work with Motorola and Xerox, Juran has been a seminal figure. His only peers in the field of quality are W Edwards Deming and Armand Feigenbaum.

His major contribution to the understanding of quality in manufacturing is a method he devised for determining the cost of quality by separating the avoidable from the unavoidable costs of quality. This gave managers a yardstick by which they could measure and assess actions to improve quality.

In an interview after the lecture, Juran highlighted two definitions of quality. The first is "quality in the sense of product features" (leather compared with cloth seats in a car); the second he defines as "freedom from trouble", controlling the manufacturing and distribution processes so that less waste is produced. This latter definition is the most important in the production of goods and services.

No less a contribution has been his conviction that without senior management's commitment any attempt to improve quality in manufacturing is bound to fail. As he told the conference: "The question I was most frequently asked by middle managers was: How can I get upper management interested in quality? I gave them a piece of cynical advice: Pray for things to get worse."

An electrical engineer with a PhD in jurisprudence, Juran's formative years with Western Electric involved working at its Hawthorn plant in Minnesota, which employed 40,000 workers, more than 5,000 of whom were located in the factory's inspection department.

Juran worked in that inspection department and that was where he met some of the early practitioners of quality control such as Harold Dodge and W A Shewhart, who developed quality control practices based on statistical processes. It is a sweet irony that while he learned the elements of statistical quality control at Western Electric he has spent most of his professional life advising clients to close down inspection departments, one of the many egregious consequences of following the theories of the father of scientific management, Frederick Taylor.

Juran believes that while Taylor's methods – principally the division of labour which gave an enormous boost to productivity – made the US a mighty manufacturing nation, they were injurious to human relations and to quality.

"Bear in mind the way organisations were structured in those days," he says. "The concept was that the products were designed by the design engineers, the processes were designed by the process engineers, the production department made the things and the inspection department separated the good from the bad.

"[Quality] couldn't penetrate something that was so rigorously and vertically organised. It took forces from the outside, like this fantastic Japanese competition, to force people to look at what they were doing and to realise that our method doesn't get quality that's competitive with these Japanese. They have been forced to re-examine their structures and of course some of them are changing."

Juran made his name with the publication in 1951 of his book "Quality Control Handbook", the first of its kind. The Japanese – who, in that year, established the Deming Prize for excellence in quality – were quick to take note and in 1953 he was invited to Tokyo to give a series of lectures expounding the themes in that book.

This visit laid the foundations of a lasting relationship. The Japanese first attempted to recognise their debt to him publicly in the late 1960s when they asked if he would lend his name to another national quality prize. He demurred. But it was finally acknowledged in the early 1980s with the award of the Order of the Sacred Treasure, second class – the highest honour the Japanese award to foreigners.

What happened in Japan immediately after the Second World War is, to Juran, without precedent. He is adamant that while the Japanese used inputs from foreign countries, they did not copy the West, let alone the Juran method.

"In Japan the upper managers took charge of quality," he says. "Why? When you can't sell your products then that signal goes right to the top. They undertook to be trained for the management of quality. That took a decade, enormous cost and effort but it made them the best in the world as far as the management of quality was concerned. Then they went about getting the workforce involved in quality and that took the 1960s. The methodology they developed was quality circles and they proved surprisingly successful."

Juran is sceptical about the simple introduction of quality circles into western companies as a method of achieving quality. He says Japanese managers and researchers estimate that QCs have been responsible for less than 10 per cent of Japan's aggregate improvement in quality. "But there is a plus in these QCs and that is the effect they have on human relations," he says. "That is more important than their effect on quality. You reduce the adversary relationship, you get a spirit of teamwork and that is a very useful process."

Looking to the future, Juran believes that companies will enshrine quality goals in their business plans, much as they do with financial goals such as targets for sales, profits, return on capital and earnings per share.

This will require radical changes to the way work is planned and executed and in this context he talks a lot about the empowerment of the workforce, of making work more than just a "tenancy of sufferance".

Juran cites the example of Texas Instruments in Malaysia. There the manufacture of large-scale integrated circuits is done by self-supervising teams of workers. The supervisory staff has been cut by 80 per cent and their responsibilities transferred to the workforce. "The workforce is trained to perform multiple operations," he says. "They decide who is going to perform which operation, they requisition materials, and they maintain the equipment they use."

One reason why it has taken US companies so long to learn the lessons of quality in manufacturing is that senior management has yet to take charge of quality and understand it. "They can't delegate quality," he says. "Senior managers have to define the goals, specify the deeds that have to be done and who is responsible for them, and then, through the reward system, they have to measure if it is being done."

A search to the end of the alphabet

Paul Betts explains Securicor's new name for its parcels division

Changing a well-known brand name is a risky and expensive operation, especially when recession is lurking around the corner. But Securicor, the UK security cash-carrying group, has decided to go ahead today with a £5m plan to change the identity of its overnight express parcels business.

The change, according to John Bintliff, the sales and marketing director of Securicor's express parcels division, reflects an evolution in the marketing approach of the company in preparation for further expansion in both the UK and European markets.

The division, with an annual turnover of £200m this year and employing about 7,000 people in the UK, has operated under the Securicor Express Parcels logo since it was set up 25 years ago.

Handling 1.5m parcels every week, it claims now to be the largest independent overnight parcel and freight operator in the UK with nearly 11 per cent of the domestic market.

Its main, and larger, competitor is the Post Office which recently also revamped its express parcel business, in the process renaming it Parcel Force.

With the UK market now in decline in real terms by some 2 per cent a year, Bintliff acknowledges that, having achieved vigorous growth during the past few years, Securicor is having to look overseas for long-term expansion.

"At present our business is 85-90 per cent based in the UK and Ireland. We want to expand globally over time but we are initially targeting [continental] Europe, and especially countries like France and Germany," he explains. "We decided to change our name because we wanted to see ourselves as an international brand, not just a niche player in the UK market," he adds.

After considering 400 possible names and narrowing the list down to eight, the company finally opted for Securicor Omega Express because it felt the Greek letter was internationally well known and would help the company to improve its image overseas.

The company did not want to lose altogether the Securicor name in the logo, but thought it should take a lower profile.

"We felt there was a confusion in the UK between the group's core cash-in-transit business and the parcel service. We also felt it was not a good thing to associate helmet and guns with the express parcel operation," explains Bintliff.

The revamped parcels division is especially keen to strengthen itself in Europe ahead of the 1992 single market and to fend off the growing challenge from large US and Australian overnight parcels groups like Federal Express, United Parcels and TNT.

The cost of the name change will amount to about £5m over the next five years and will include the repainting of the company's fleet of 3,500 vans.

Unlike some of its main international competitors with aircraft fleets of their own, the Securicor operation decided to sell its aircraft and rely instead on partnerships with airlines, including Aer Lingus, British Airways, and Lufthansa using their freight capacity at night for its overnight parcels business.

"It's pointless using air where road can provide an effective service. There must be a justified speed advantage to use air," Bintliff argues.

The company is also linking its name change with an investment programme to boost the technological base of its operations and enhance service.

It invested £25m three years ago on a computer system and is spending £10m on new operating terminals and vehicles this year. Bintliff says there are plans to invest a further £40m in the company's UK infrastructure over the next five years.

He concedes that the recession is coming in the UK and the company sees no growth in the domestic business. Indeed, it expects a continuing slow decline.

But the market in the large EC economies is still expanding – in Germany, for example, it is currently growing by between 4-8 per cent a year – and offers longer-term growth opportunities.

ARTS

The Fairy Queen

ELIZABETH HALL

One of the priorities when it comes to the Purcell tercentenary, in 1995, must be the establishment in performance of a proper context for the finest of his dramatic music. Various more or less faithful, and more or less successful, attempts were made in the 1970s, in Edinburgh, Norwich and Camden, to stage *The Fairy Queen*, *King Arthur* and *The Indian Queen*. But we still go on listening to this music as if it were an abstract selection of colourful pieces when in fact it has a dramatic function that lends it far greater purpose and meaning. The popular fiction that the plays to which the music originally belonged are not viable is overdue for retesting in our changing world.

The music, of course, stands up well enough to isolated performance to encourage complacency; audiences may be forgiven for imagining, on the strength of an evening as inspiriting as Monday's at the Queen Elizabeth Hall, that they know all they need to about *The Fairy Queen*. But to hear the true balance of speech and music, or to witness slumber overtaking *Titania during the Sleep* Masque, would give it a depth to which a concert performance cannot aspire.

The version by Harry Christophers' The Sixteen included virtually all the music, done with style and a good deal of vivacity. Mr Christopher's is an alert, taut conductor, who tends to keep a firm controlling hand, sometimes so firm as to anchor Purcell's wayward rhythms a little too rigidly to the *first beat of* each bar. Some of the dances were apt to slip into a mincing gait, and it was only with the more expansive music of the concluding scenes that he seemed ready to give it its head and allow Purcell his true breatth.

He had a generally tidy little orchestra, based on a dozen strings, using period instruments; the songs, properly without double basses, has a pleasant airiness. *The trumpets did not always* blow true but there was some shapely, dulcet playing from the leading strings in their accompanying of the solos. The three sopranos offered an attractive contrast in style within the Purcellian idiom. Lorna Anderson sailed lightly through "Sing While We Trip It" and "Hark! the echoing air" a singer with a natural feeling for the shape of these lines and how to point it up. Gillian Fisher proved her usual dependable self, almost artless in the song on the entrance of Night, duly direct in "When I have often heard young maids", and once or twice a shade pallid. There there was Ann Murray, less conscientious a stylist perhaps but with a winning command of shape and timing, for example in her witty "Catch and Repeat", in Mystery's Song, or in her fine-drawn accounts of the Plaint, done perilously slowly.

Then there was Michael Chance in exquisite voice, flirting outrageously with the sterling Michael George in the Coridon-Mopsa duets. The chorus, 18-strong, seemed initially a little careful, but they flourished in the contrapuntal numbers and found their best, sturdiest voice for the D major celebratory music in the Act IV masque on Oberon's birthday.

Stanley Sadie

TELEVISION

It's the quality that counts

Although this television column has been one of the most persistent advocates of multi-channel television, said a letter in the *FT's* correspondence column on Monday, last week's article "caught a bout of nostalgia virus from ITV heroes at the Prix Italia whose incumbencies are threatened". What that article did was to note the unparalleled success of ITV at the world's most highly regarded programme festival and juxtapose it with the British Government's plan to take the ITV network to pieces and auction the bits to the highest bidders.

What this column has actually argued for years is that it is in the best interests of viewers to get politicians and broadcasters to use the new technologies to increase diversity in broadcasting *without* smashing up the peculiarly successful and popular BBC/ITV system. What we, the viewers, should be calling for is the preservation of Britain's unusually impressive television baby and the addition of fresh bathwater, whether in the form of direct satellite signals from Mr Murdoch, cables from under the pavement, or *local channels on the old ultra* high frequencies.

In order to allow the new boys with their new toys to have a go at competing for the audience there is no need to pull ITV to pieces: to do so is senseless when ITV is one of the rare examples of a British industry which is often seen internationally as setting a quality benchmark for the world. That said, the other concern expressed repeatedly in this column has been that in *the movement towards greater* diversity (or at least plurality) "our" sort of television – documentaries, serious drama, intelligent current affairs, opera, ballet and so on – should be preserved and, one hopes, even expanded.

If the broadcasters – existing as well as new – can be persuaded to maintain the proportion of "our" sort of material at around 10 per cent, then as the total output rises the quantity of "our" sort of material will grow and grow – even if it does become increasingly difficult to find.

And what, so far, does the *evidence suggest?* Articles here earlier in the summer considering the output of the Astra and BSB satellites pointed out that each has added something new and valuable to our sort of television. We have never had anything to compare with the Sky News channel on Astra; even if its approach is a long way from that of *Channel 4 News* or *Newsnight* it is there, 24 hours a day, and doing a remarkably proficient job. (In houses capable of receiving Sky their news channel was recently voted least politically biased of all the television news services.) As for BSB, it provides an almost embarrassingly rich diet of arts programmes – operas, concerts, interviews, ballet – every weekend.

Our greatest concern, however, should be for the old terrestrial networks – BBC1 and 2, ITV and Channel 4 – because we know they are capable of supplying our sort of television. The danger is that in the battle against the newcomers to maintain significant audience shares they will begin to reduce instead of increase our sort of programmes.

Is that now happening? Since the identification of "our" programmes is so subjective it is difficult to be sure, but my impression, during the first week back in Britain after a four week break, is that while there may be grounds for concern about Channel 4, the others are holding up very well. What follows is, of necessity, a series of first impressions – we *shall* no doubt have to return to some series in more detail later – but there are already hints that we may be in for an outstanding autumn season.

BBC2's *Portrait Of A Marriage* may well be seen one day, maybe not so very far away either, as a classic piece of work. Because television employs pictures, real women – Janet McTeer and Cathryn Harrison – are seen in bed together, re-enacting the affair *between Vita Sackville-West* and Violet Keppel which was described in Nigel Nicolson's book about his parents, dramatised here by Penelope Mortimer. Such scenes occupy only a small fraction of the production but, this being Britain, it is that fraction – real women, really touching one another's bodies! – which attracts all the comment and the familiar Anglo Saxon embarrassment where anything passionately sexual is concerned.

It is superbly well acted, set in gorgeous locations, and beautifully lit and photographed. Moreover it has so far told the startling story of a loving (and seemingly successful) marriage which had homosexual affairs on both sides with admirable sensitivity and, most impressive of all, in such a way that it seems not the least bit unlikely.

Sunday night's "Screen One" production on BBC1, *Can You Hear Me Thinking?* with real life husband and wife Michael Williams and Judi Dench playing the parents of a teenage schizophrenic who eventually commits suicide, was a less successful piece of drama, despite – or perhaps because of – being desperately well intended. Where *Portrait Of A Marriage* is a true story with all the strengths of fiction, *Can You Hear Me Thinking* was a fiction weighed down by a determination to represent the facts of schizophrenia as experienced by so many parents. Yet it was still moving and sad and, again, agonisingly well acted.

The second episode of Jonathan Miller's BBC2 series *Born Talking* made me wish I had seen the first: it is the kind of series that precious few broadcasting organisations in the world would attempt. Miller is endeavouring to explain the way in which our brains process language and last week he used signing by the deaf and the breakdown in language ability among stroke victims as illustrations. With many people this would have seemed like exploitation but not with Miller, thanks to his enthusiasm and possibly to the viewer's knowledge that he trained as a doctor.

On *The South Bank Show* (ITV) Melvyn Bragg talked to Salman Rushdie in an interview which would have seemed even more historically significant had it not, like all those myriad chat shows, been geared to the publication of a new book. The old explanation that it is the very fact of publication which makes a guest particularly newsworthy is scarcely true in the case of *Rushdie. To be fair, however,* this programme did cover the ground that one would have hoped and expected, regardless of the new book.

Given the relatively large amount of time that television already devotes to the cinema it is hard to be sure whether BBC2's new series, *Moving Pictures*, will regularly have anything new to offer. Still, the opening edition established several facts: producer Paul Kerr is actually willing to show films as well as talk about them, and is interested in shorts as well as features (he showed the award winning short, *Peel*). So at least this is not going to be merely another Hollywood star gazing exercise.

Tonight comes Episode 1 in BBC1's new 12-part series *The Trials Of Life*, which opens with one of those splendid set pieces from David Attenborough: he tiptoes among millions of scarlet crabs on Christmas Island, lecturing urbanely as they pour like armoured lemmings into the sea to spawn. There is a great deal of spawning, one way and another in this programme which is sub-titled "Arriving": the giant clam seems most prolific, blasting out a thousand million sperm and then, half an hour later (why? Attenborough does not tell us) a thousand million eggs.

We see both events, and it is the ability to show them – thanks to rapid advances in natural history filming techniques and the huge increase in specialists working in the field – which seems to be the real reason for the series, rather than any belief that *Life On Earth* and *The Living Planet* were horribly incomplete. But whatever the motives, this new series looks like being another global chart *topper* thanks to Attenborough and the quality of the programme making.

Complacency would be ridiculous; we may yet lose most of this sort of material over the next few years. But gloomy defeatism is equally misplaced since, at present, there is as much, and more, of our sort of television around as there has ever been.

Christopher Dunkley

Janet McTeer in 'Portrait of a Marriage'; and Jonathan Miller in his series 'Born Talking'

The Cure at Troy

THE GUILDHALL, LONDONDERRY

The annual Field Day première in Derry's Guildhall is always eagerly awaited and seldom disappoints. It is ten years now since it all started, with Brian Friel's *Translations* setting a formidably high standard for subsequent productions. This year Derry's most famous son, Seamus Heaney, makes his debut as a dramatist. Harvard professor of rhetoric, Oxford professor of poetry, strongly tipped for the Nobel prize within the next five years, Seamus will not let the side down ... will he?

The Cure at Troy is Heaney's version of Sophocles' *Philoctetes*. Philoctetes suffered from a festering wound on his foot. He was abandoned on the island of Lemnos by Odysseus, who could no longer stand the stench of the wound and cries of pain. Philoctetes was the owner of a bow and arrow that never missed. A prophecy eventually convinced the Greeks that Philoctetes' bow was needed to ensure their victory over the Trojans.

The play opens in Philoctetes' tenth year of exile as Odysseus and his helper, Neoptolemus, the youthful son of the hero Achilles, arrive on Lemnos. The loyal soldier Odysseus is trying to persuade the idealistic Neoptolemus to trick Philoctetes into handing over his invincible weapon. A female chorus of three comment on the action and taunt the protagonists.

It is undoubtedly Philoctetes' play. The *moral dilemma* of Neoptolemus and the pragmatic machinations of Odysseus cannot compete with the inherent drama of Philoctetes' existence. Howls and animal like growls of pain precede him onto the stage; he moves from self-pity to outrage, from self-centredness to self-knowledge, inspiring equal amounts of pity and horror. Des McAleer creates a powerfully physical Philoctetes. His cries of anguish are all too believable. His near naked body trembles alternately with pain and with rage. One can almost smell the stench of his festering wound as he drags his heavily bandaged foot behind him.

Sean Rocks' Neoptolemus, in contrast, seems wooden and lifeless and Seamus Moran's Odysseus lacks the commanding presence of a hero. At times only some lively work from the chorus, noticeably Veronica Duffy, keep the drama alive. All too often Neoptolemus and Odysseus suffer from a lack of strong direction – credited jointly to Stephen Rea and Bob Crowley – which *leaves them bandying words across the* stage like speakers in a debating society. The stilted effect is furthered by the playwright's tendency to adopt a schoolmasterish tone in some of the more reflective speeches.

Heaney's verse is, as one would expect, supple and self confident, managing, for most of the evening, to combine idiomatic phrasing easily with elevated content. The chorus is occasionally given licence to rhyme, a welcome embellishment which contrasts with the stark urgency of the *other* speeches. Mentions of "police widows" and "hunger strikers" add topicality to a play written specifically, but not exclusively, for the audiences of Northern Ireland.

Heaney is too subtle a writer to belabour his audience with the contemporary relevance of the issues raised – public morality versus private integrity, group loyalty versus individual morality. Instead the relevance of the issues to the political situation in Northern *Ireland* surfaces in a *series of shifting* analogies.

The all white set by Bob Crowley is a model of economy and simplicity, superbly lit by Roy Dempster and Conleth White. The play runs for an hour and a half without an interval, but only really gathers momentum in the final ten minutes. Heaney has made a cautious debut as a dramatist, producing an event that is worthy and well crafted, but less than exhilarating. All to often it seems that the professor is allowed to get the better of the poet.

Alannah Hopkin

Love Letters

WYNDHAM'S THEATRE

If you want a pleasant evening in the London theatre – civilised, charming, some laughter, perhaps a few tears or at least a lump in the throat at the end, and not too long – here it is. A R Gurney says that *Love Letters* began as verbal doodlings when he was teaching himself how to use a computer. He put them together and sent them to the *New Yorker* where they were rejected. Then he discovered that they read well aloud. They are now a play which opened at the Wyndham's theatre on Monday.

Love Letters is a love story spanning upwards of 40 years. It is heavily WASP – white anglo-saxon protestant, though at times it is also waspish: California is virtually equated with Cuba. Boy and girl meet early on at school, and keep in touch on and off ever after, mostly through correspondence.

Andrew Makepeace Ladd III is played by Robert Wagner, the man with the immaculate good looks. Stefanie Powers, whose attractiveness is slightly less conventional, plays Melissa Gardner. The pair of them sit next to each other throughout, simply reading their letters over the *years and making* the odd gesture.

No-one else appears, yet by the end Andrew has been through prep school, Yale, the US Navy, a long affair in Japan, is stuck with an all-American marriage, including a grandchild and is a member of the US Senate. Melissa has been around the world as an artist, married and split up and is frequently reduced to a drying-out clinic.

At the start Andrew is a compulsive letter-writer. He writes of the pleasure of reciting the last lines of *Paradise Lost* in the shower and how he misses his dog at school. "I have a picture of him on my bureau. Can I have one of you?"

Melissa, being a faster developer and also richer, prefers the telephone, and her letters are shorter. She, too, can disappoint a bit: "You're like a friend – you're like a brother."

They make a hash of their first night together in a seedy hotel after the Yale-Harvard game. "It wasn't like that with Greta Lascelles. You can write to her and ask her," Andrew writes afterwards. He knows he can be a bit stuffy. They drift apart, but the letters always resume.

One year Andrew makes the mistake of letting one of those all-purpose state of the family Christmas letters be composed by his wife. Melissa is not amused, though it is a splendidly funny piece of writing.

Towards the end the couple briefly get together. "Did you dream we'd be so good at sex?" Melissa writes afterwards. The Senator remembers his responsibilities, as well as the attentions of the US press, and breaks it off.

The piece is directed by John Tillinger and I thoroughly recommend it.

Malcolm Rutherford

Alastair Muir

Stephanie Powers

Mitsuko Shirai

WIGMORE HALL

The return to London on Monday of Mitsuko Shirai and her husband, the pianist Hartmut Höll, was not greeted by a large audience. After at least a decade of their appearances here, and strange as it may seem to initiates, word has still not got out about the special authority and beauty of Miss Shirai's Lieder-singing, or about the closeness of her partnership with Höll, which goes far beyond marital intimacy. Never mind: instead of wringing hands in regret, one should rather rejoice in the rewards of so finely-executed a recital, and hope more people will be there to share them next time.

The programme was all in German, and of classical simplicity – Brahms in the first part, Wolf and Liszt in the second. The performances were *all* delivered without frills, confidence *tricks*, or *salesmanship*: Miss Shirai's soprano (which has darkened in timbre since I last heard her) is not in itself a ravishingly full-toned, beautiful instrument, but it is capable of being "played" with such consummate musicianship that it seems so. A selection of 11 Brahms songs, delivered without break, might look hard going on paper; in the event, the buoyant lyricism of the approach kept spirits high and pleasures continuous.

Although in earlier days Miss Shirai was schooled by Elisabeth Schwarzkopf, she avoids highlighting detail or colour-application in the same carefully studied manner. In a song such as "Dein blaues Auge", one notices first the rippling delicacy of voice and piano in loving combination (even at an unusually slow speed), the *delicate* airing of phrases with fine-brush portamento, the interlocking of dynamics between voice and instrument, the way one line flows gracefully into the next. The deeper insights evolve directly out of the music-making; and Brahms, whose songs can so often sound stodgy or earnest, takes wing.

In the second half Wolf (a group from the Spanish Songbook) and Liszt flourished. The "singing" treatment afforded the *half-comic, half-tragic* modes and passions of the former's "Geh Geliebter!" exquisitely unstrained expression, and found the gentlest, freshest nuances in the latter's "Lorelei" (where Miss Shirai opened out her top register with exciting abandon) and "Die drei Zigeuner". Lieder-singing and Lieder-accompaniment of this quality adds up to delight of the rarest kind.

Max Loppert

ARTS GUIDE September 28-October 4

THEATRE

London

Jeffrey Bernard is Unwell (Apollo). James Bolam is the alcoholic journalist who embodies a Falstaffian, nay-saying life force while committing public suicide by vodka. Keith Waterhouse has stitched *a fine* play, the season's highlight, from Bernard's own writing. Ned Sherrin directs. (437 2663).

Aspects of Love (Prince of Wales). Andrew Lloyd Webber's latest is an intimate chamber operetta derived from David Garnett's 1955 novella. Musically interesting and well directed by Trevor Nunn. (839 5972).

Burn This (Lyric). Blistering performances from John Malkovich and Juliet Stevenson in Lanford Wilson's play about the mismatch of opposites (437 3686).

Singer (Barbican). Anthony Sher in Peter Flannery's modern Jacobean tragedy that reflects a darkly comic view of Britain since the Second World War. (638 8891).

Shadowlands (Queen's). Weepie about the love affair between crusty Oxford writer C.S. Lewis and the cancer-riddled American poet Joy Davidman, which pushes Nigel Hawthorne and Jane Alexander into the awards stakes. (734 1166/439 3849).

Absurd Person Singular (Whitehall). Revival of early Ayckbourn comedy, directed by the master himself, about three *couples at* Christmas in three kitchens over three years. Moira Redmond, Richard Kane and Lavinia Bertram on fine form in a production which confirms Ayckbourn's early bleakness (071 867 1119).

New York

Falsettoland (Lucille Lortel). It will be known as the musical about Aids first hitting New York but it goes much further than that, showing the effect on a larger circle of people, who include a boy having a Bar Mitzvah and his parents, all three of them (924 8782).

Gypsy (St James). This 30th anniversary production does more than revive a rich, vivid musical; it also introduces a new belter in the Merman tradition, Tyne Daly, as the bossy, tireless and tuneful Rose, who leads her daughter into burlesque. (246 0102).

Grand Hotel (Martin Beck). Tommy Tune, Broadway's present musical doctor, directs this remake of the Garbo film to shake the bones of this inert depiction of lives criss-crossing in an elegant, but somewhat random setting (246 0102).

Cats (Winter Garden). Still a sell-out, Trevor Nunn's production of T.S. Eliot's children's poetry set to music is visually startling and choreographically feline (239 6262).

Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama (239 6200).

Phantom of the Opera (Majestic). Stuffed with Maria Bjornson's gilded sets, Phantom rocks with Andrew Lloyd Webber's haunting melodies *in* this transfer from London (239 6200).

Washington

Shogun (Opera House). The $6m, Broadway-bound musical by novelist James Clavell is bound to be compared with Sondheim's *Pacific Overtures* in exploring the origins of Western-Japanese contact. Kennedy Centre (467 4600).

Playboy of the Western World (Eisenhower). Abbey Theatre company brings what the Americans want to see to confirm of the view of the Irish as unscrupulous charmers. Ends Oct 21.

Chicago

The Iceman Cometh (Goodman). The Goodman opens its new season with a revival of vintage O'Neill starring film actor Brian Dennehy. Ends Nov 4 (443 3800).

Steel Magnolias (Royal George). Ann Francis and Marcia Rodd play the leads in this view of southern life from under the dryers in a busy hairdressing establishment (988 9000).

Tokyo

Kabuki. Performances at Kabuki-za (541 3131) are at 11am and 4.30pm and consist of mixed programmes made up of short or shortish pieces in a variety of kabuki styles. Excellent earphone guide in English and English-language programme.

Takigi Noh (Noh by Firelight). Outdoor performance of the noh play, *Ataka* – the famous story of the fugitive lord, Yoshitsune, and his wily servant, Benkei, at the Ataka Barrier (Thur). Preceded by a Kyogen comic interlude. Hibiya City (275 3094).

Cheek by Jowl in Hamlet. Lively British fringe company making their Tokyo debut as part of the UK 90 Festival. Tokyo Globe Theatre (360 1151).

GLAA to be axed

In a sudden, surprise, move yesterday the Arts Council announced the demise of the Greater London Arts Association. There could be no better indication of the change in Government policy towards the arts following the arrival of an energetic, no nonsense, new Minister for the Arts, Mr David *Mellor*.

A "Sunset" board will be set up to create a new London Arts Board which could be in place by the end of the year. The current chairman of GLAA, Mr Jonathan Brill, will chair the "Sunset" board and he must fancy his chances of staying on to oversee the new organisation. But very few, perhaps only one or two, of the current 15 GLAA board members will survive; the current working staff of 36 will be expected to apply for jobs in the new organisation.

The killing of GLAA is principally inspired by a desire to reassure those big arts organisations whose funding will be handed over to the London Arts Board as a result of the devolution policy promulgated by the Arts Council last week. By April 1992, the main London based orchestras – the RPO, LSO, LPO etc – will be locally funded as will leading theatres like the Royal Court, Hampstead, and Greenwich, and the ICA. All these groups have long believed that GLAA, with its traditional association with community arts funding, lacks the expertise to deal with large institutions. A new Arts Board, under respected management, may persuade the London based butnationally and internationally famous arts organisations, to give local funding a try.

In addition David Mellor has a low opinion of GLAA, associating it with financing fringe drama groups, video centres, and community arts initiatives in which the arts are sometimes regarded as a secondary consideration to cultivating the goodwill of activists in the local community. The London Arts Board will still be handing out money to over 700 clients, including cheques for a few hundred pounds to ethnic dance groups, photography workshops, feminist collectives and the like, but the money will be distributed by personnel selected by board members with Thatcherite principles.

Under the devolution policy the London Arts Board will have a budget of over £16m as against the £9m plus handled by GLAA. Much will depend on the staffing of the new organisation. The salary of £30,000 plus for the director is good for an arts job, but may not attract an experienced manager from another field. The current director of GLAA, Mr Trevor Vibert, has a contract expiring in April 1991 although he could re-apply for the job.

Antony Thorncroft

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Germany's third chance

FROM TODAY begins the third chance for a united Germany to become what it must become, for its own sake and that of its neighbours: the central pillar of a stable European order. Bismarck created the first such chance; defeat in the First World War offered the second; and the collapse of Soviet power, along with the success of the Federal Republic itself, has now given rise to the third.

The chance came unexpectedly. Less than a year ago Mr Erich Honecker railed against West German forces, which – he claimed – were plotting against his shabby little despotism. Poor, deluded Honecker, little did he realise that the forces arrayed against his state – the disgust of his own people and the indifference of Mr Mikhail Gorbachev – were not those in front, but those at his back.

The East Germans were responsible for the first peaceful German revolution for freedom. By their actions the former East Germans have given the newly enlarged Federal Republic the best possible birthday, even though they themselves will not enjoy the cake for some time.

The world at large owes the East Germans more than this. Without them, people could still have argued that the failure of socialism can be explained by the economic backwardness of the peoples who introduced it. But if even East German socialism left little but pollution, poor-quality production and low productivity, then the system is, indeed, bankrupt.

The peaceful collapse of East Germany is but one of the reasons why the auspices for this attempt at combining German power with European stability are far more favourable than previous ones. The Federal Republic has well-tried political and economic institutions within which to fit its 16m new citizens. The country is also embedded in two outstandingly successful international arrangements: the European Community and Nato. But both arrangements will now have to change.

Memories of the unhappy past, along with the scale of the changes now under way, create anxieties, both within Germany and outside it. But the anxieties, particularly those about a huge Germany dominating an enthralled Europe, are wildly exaggerated. If anything, the immediate danger is the opposite one: of a Germany gazing obsessively at its own navel.

Unlike the old West Germany, the new Germany will be a nation divided. The immediate prospect in the East is progressive economic collapse, with unemployment rising to 2m or more. Western Germany is expected to grow by 4 per cent this year, one percentage point of this being due to the "unification bonus". The immediate fruit of unity is, therefore, to give to those who have and to take away from those who have not even the little that they have.

Political adroitness

West Germans do not seem keen on doing much about this. Partly for this reason, Chancellor Helmut Kohl and Finance Minister Theo Waigel followed the Reagan-Bush strategy of relying on the growth dividend to finance the costs of unity. For all his political adroitness in the past year, Mr Kohl's reticence about the economic costs is likely to cost his united country dear. The new Germany could well be divided between embittered easterners and resentful westerners, both upset by the scale of the very different burdens they will have to bear.

This is not to doubt the capacity of the West Germans to solve the problems of the eastern part of their country. But to the extent that they do succeed in doing so, their presence may make it even more difficult for East Germans to stand on their own feet. To the economic divisions, therefore, themselves likely to be healed only slowly, should be added psychological difficulties. East Germans feel that they were the unlucky ones; that the past 40 years were wasted for no fault of theirs. Economic distress, combined with resentment and the legacy of 57 years of totalitarianism, may make the fledgeling democracy east of the Elbe fragile.

If Germany is, indeed, to be a regional superpower it will be a troubled one. But this is not the only reason why fears of overweening German self-confidence and a coomnon reaction – that the country must be "bound" more tightly into the European Community – are likely to prove misplaced.

It will take many years before the share of a united Germany in the purchasing power of EC output rises much above 25 per cent. The share of West Germany in EC manufacturing is already greater than this, at about a third. Its manufacturing output is equal to two-thirds of those of France, Italy and the UK combined. In the fullness of time, the addition of East Germany might raise this share to 85 per cent.

German unity will, therefore, mark only a modest change in the already achieved position of West Germany. But that position has presented – and will present – no danger. Except in war, the prosperity of one's neighbour is a benefit, not a threat. The terminology of "domination" is quite inappropriate where voluntary international exchange is concerned.

Doubtful notion

The notion of "domination" is still more doubtful when applied to the D-Mark. If one wishes to gain the benefits of a non-inflationary anchor one has to follow the policies of the central bank that provides it. But this is not domination; it is leadership. Other countries can always refuse to follow that leadership and "enjoy" the freedom to depreciate their currencies.

That the unification of Germany is a blow rather to the *amour propre* of other European leaders than to the interests of their countries is just one reason for keeping a sense of proportion about the pace of future development of the EC. But there is a deeper one. If it were, indeed, true that Germany needs to be "bound", then institutional arrangements cannot achieve that end on their own. Germany can only be enduringly "bound" by arrangements that are accepted by its citizens as being in their own interest.

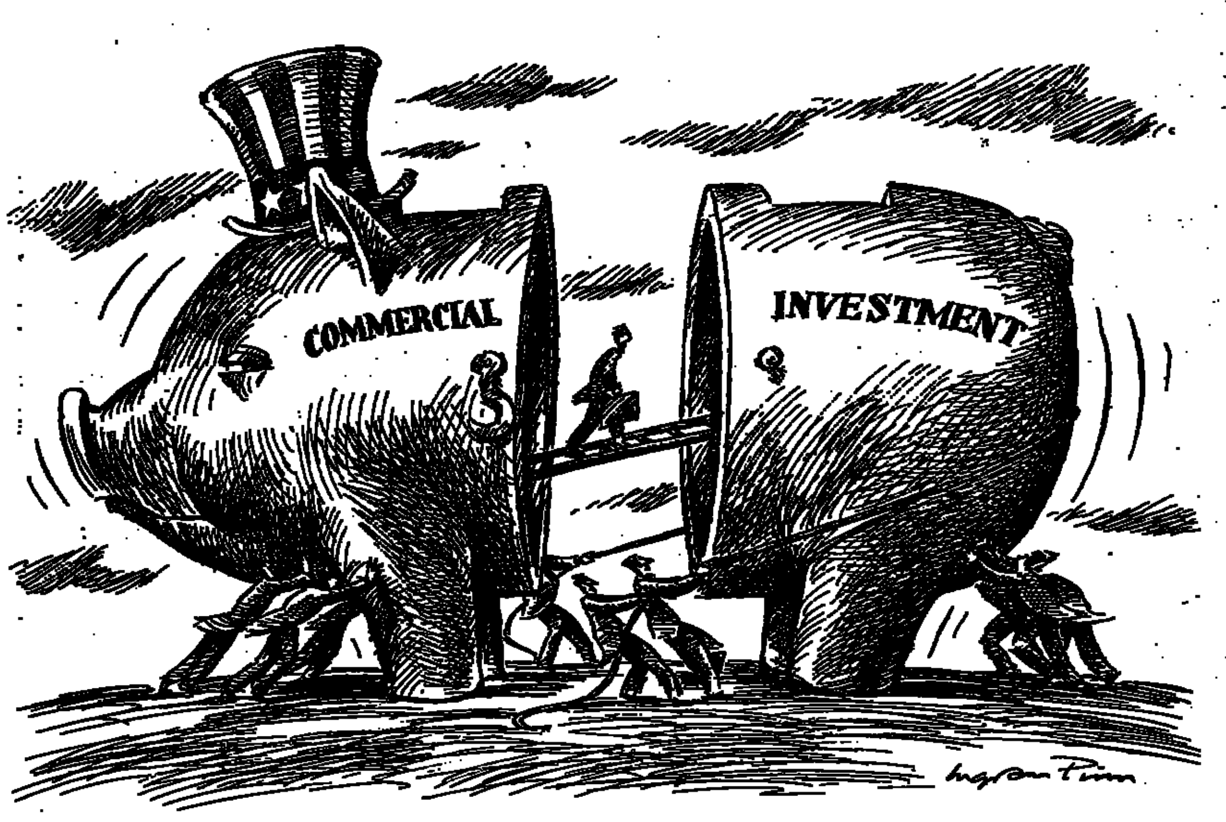
The EC has succeeded because it provided not just the Germans, but all its members, with things they value. Monetary union, too, can be sold to the Germans only by convincing them that it is in their interest. Their doubts are quite understandable. Marriage in haste might well mean repentance at leisure. Progress in the EC must be justified at each stage on its merits, not on the alleged advantages of taming German power.

The role to be played by the new Germany will not be an easy one. It will be expected to play a generous part in helping eastern Europe and the Soviet Union, even though what it can provide will be less than the miracle they expect. It will also be called upon to play a more active role in world affairs, even though what a country with its history offers will often fall short of what those with a happier past deem appropriate.

The country cannot fulfil everyone's expectations, let alone allay everyone's fears. But a prudent, cautious, generous Germany – anchored in the west, while looking to the east – can prove a source of stability in Europe. The task of finding a comfortable European home, however difficult in some respects, is at least vastly easier than for Bismarck's *Reich*. Third time should be lucky. One must hope so, for the sake of Germany and for the rest of the continent in whose heart it lies.

Banking reform is in the air. **Peter Riddell** and **Nikki Tait** report on the US experience

Moves to shatter Glass-Steagall



The US banking industry faces the most far-reaching changes for more than 50 years. The wall between commercial and investment banking erected by the Glass-Steagall Act of 1933 has been crumbling for some time, but now a gaping hole has been created by the Federal Reserve's recent decision to allow J.P. Morgan to underwrite company securities. This means it can offer a wider range of services to its corporate clients by entering the competitive market in equity issues.

The timing is odd in view of growing worries about the fragility of the US financial system and the frantic efforts of Congress and the administration to shore up the shrinking Federal fund which insures bank deposits. Underwriting is a risky business.

The decision is, however, hedged with restrictions. J.P. Morgan will be able to derive no more than 10 per cent of its revenue from underwriting equities, corporate bonds, commercial paper, securities backed by mortgages and consumer debt. That may help explain the bank's determination to play down the announcement. But such reticence should not be misinterpreted. Five other North American banks are hot on Morgan's heels and are understood to have applications pending with the Federal Reserve – Citibank, Bankers Trust, Royal Bank of Canada, Canadian Imperial Bank of Commerce and Chase Manhattan.

However limited the short-term impact, the decision symbolises the much wider review of US banking now under way. One banker commented: "It's one of those items of historical and long-term significance. It's not going to affect revenues for September or for this year. But it's fundamental to the restructuring of financial markets."

Glass-Steagall has been a cornerstone of the structure created in reaction to the financial collapse of the early 1930s and earlier banking abuses in which depositors' money was lost on share speculation. That structure includes the McFadden Act, limiting inter-state banking, and the Bank Holding Company Act, preventing non-banking institutions from controlling banks. These have produced the fragmented US banking sector and contributed to the decline in the competitive position of US banks which are relatively smaller than their Japanese rivals. (The original law split the House of Morgan into separate groups, the J.P. Morgan commercial banking company which owns Morgan Guaranty, and the Morgan Stanley investment and securities banking house.)

Consequently, the Bush administration, the Federal Reserve and bank regulators – with significant dissent in Congress – agree that the 1930s restrictions need to be removed. Mr Alan Greenspan, the Fed chairman, has favoured repealing Glass-Steagall because "technology and globalisation have continued to blur the distinctions among credit markets. Outdated constraints endanger the profitability of banking organisations and their contribution to the US economy."

Change has been under way for some time. In 1987, the Fed allowed bank holding companies to own firms dealing in commercial paper and municipal bonds. In January 1989, the Fed permitted bank holding companies to underwrite and sell corporate bonds subject to tight restrictions.

However, there has been strong opposition at each stage, especially from the securities industry lobby. An attempt two years ago to allow commercial banks a broad range of new powers died because of opposition from the committee responsible for the securities industry. The Fed's latest decision has also been criticised by some Congressional leaders for usurping the legislature's primary role in any reform of Glass-Steagall.

The timing also worries Congressman Henry Gonzalez, the chairman of the House Banking Committee. "It is irresponsible for the Federal Reserve willy-nilly to add massive new risks to the banking system at a time when the taxpayer-supported insurance fund is strained to the limit," he says. J.P. Morgan is a low risk because it is one of the strongest US banks. But both the Fed and the administration accept that any broadening of banking powers must be accompanied by a strengthening of financial safeguards.

The immediate focus is on maintaining the solvency of the Federal fund which guarantees deposits up to $100,000 so as to avoid a repetition of the savings and loan rescue. Yet that is only the first part of a comprehensive package involving an overhaul of deposit insurance.

An extension of bank activities will depend on higher capital standards and be outside the deposit safety-net in the hope of avoiding the abuses of the 1930s. It has been argued that strong firewalls – insulating investment operations from commercial banking – are needed to protect banks (and indirectly taxpayers) from the risk of new activities. Yet this year's collapse of Drexel, formerly the biggest US junk-bond dealer, showed that the rapid spread of market pressures to separately-regulated and well-capitalised units when the holding company was unable to meet its commercial paper obligations raises questions about the ability of firewalls to insulate one unit from another's problems. The Fed answer is to stress capital standards and close scrutiny.

Thus, even if Glass-Steagall is repealed, it will not be a return to the pre-1933 days. Insured deposits will not be usable to finance equity operations.

In the near future, piecemeal moves by the Fed are unlikely to produce revolutionary change. Public equity offerings have been declining for years. Last year, corporate equity underwritings were $30.6bn and accounted for 10 per cent of companies' public fund-raising – about half the $57.1bn raised in this way in 1986.

The amount of equity placed privately last year equalled underwritten issues for the first time as a result of changing market preferences. The commercial banks, which are not restricted in this area, are already active. But even in this market, equity issues were down by about 25 per cent in the first half of this year. Accordingly, banks – which provoked intense competition when they entered the municipal bond business as underwriters a few years ago – may tread more gently now.

After the surge in debt funding during the 1980s, many US companies are over-borrowed and undercapitalised. In time, and in more favourable stock market conditions, there may be a substantial requirement to raise new equity.

Several of J.P. Morgan's money centre bank competitors are likely to follow its lead, seeking the ability to underwrite equities, though possibly not exercising it on a large scale for some time yet. The restructuring is likely to be gradual, as much in response to market conditions as to regulators and Congress.

Much still to do in Japan

Stefan Wagstyl says the US initiative has been welcomed

The Fed's decision to allow J.P. Morgan further into the securities business than any US bank has gone in more than 50 years has been welcomed by Tokyo bankers.

They hope the move will improve their own chances of penetrating the US securities market, where foreign finance houses have, despite some "grandfather clause" arrangements, been subject to the same regulations. They also hope it will improve reform prospects in the heavily-regulated Japanese markets.

Since the war, the activities of different kinds of Japanese financial company have been strictly separated, especially securities companies and banks, which are segregated under Article 65 of the Securities and Exchange Act – Japan's version of Glass-Steagall. Though technically this applies only at home, in practice it has conditioned the way Japanese houses operate abroad.

Ten years of rapid expansion at home and overseas by financial companies have undermined the barriers. Spurred by the US, the Japanese authorities have started to deregulate Tokyo's markets: they have permitted the entry of more foreign companies, created markets and products and partially liberalised interest rates.

Important as these changes are, they altered the core of the financial system, which is dominated by the authorities and by the big banks and securities companies. Mr David Mulford, the US Treasury under-secretary for international affairs, said on a visit to Tokyo this year: "Japan ranks as the least flexible, the least transparent and most financially over-regulated country among [leading industrialised nations]."

Japanese finance ministry officials retort that Americans give them insufficient credit for completed and pending reforms. But they acknowledge their biggest challenge is to come – the long-awaited reform of the barriers separating securities and banking. The ministry has been considering this issue for more than three years, without having produced a concrete plan.

It is being held up not by principles but by politics. Japanese banks want reform so that they can get into the securities business, but securities companies have little desire to rush into banking. Different kinds of banks want different kinds of reform.

The banks argue that "securitisation" – the vogue away from traditional bank loans towards lending in the form of tradeable securities – is undermining the traditional distinction between banks and securities companies. The force of this argument is pushing the ministry towards change. So is international pressure. Deregulation is proceeding rapidly in Europe.

The ministry is working on a plan under which banks and securities companies will be admitted into each others' businesses through subsidiaries. At the insistence of the securities companies, banks will not be allowed into stock broking, only underwriting and other securities businesses.

The ministry's unofficial timetable calls for banking and securities industry committees to meet jointly early next year. Legislation might be put before the Diet (parliament) next summer and brought into effect in the spring of 1992. Banks hope the timetable will stick.

However, much remains to be done. In particular there is likely to be a fierce debate over the "firewalls" which will ensure that a bank parent company does not interfere in the activities of its securities subsidiary.

The large Japanese securities companies – Nomura, Daiwa, Nikko and Yamaichi – have real concern about the threat from bank-owned competitors. But smaller houses among the 260-odd Japanese broking companies are putting up strong resistance for fear of being swamped.

The broking firms have considerable backing from ex-finance ministry bureaucrats who retired to posts in the securities industry. They include three former vice-ministers – Mr Minoru Nagaoka, chairman of the Tokyo Stock Exchange, Mr Michio Takeuchi, his predecessor, and Mr Takeuchi's predecessor Mr Hiroshi Tanimura. While it is probably too late for the three men's lobbying to stop reform, there is still scope for causing delays.

OBSERVER

East sounds low notes

■ Sebastian Münster, the 15th century astronomer, who gazes out of the blue DM100 note, has been voted man of the year by a West German magazine. But he is not being allowed to enjoy his glory. This week he begins to be replaced by a new note.

The Bundesbank has been planning the issue for years and it is sheer coincidence that it has fallen during the week of unification. The timing is rather good. The great Germans pictured on the new series of notes provide no joy to those seeking traces of new national chauvinism.

The two notes that are introduced this week – the DM100 and DM200 – show respectively Clara Schumann, the emancipated 19th century pianist, and Paul Ehrlich the Nobel Prize winning chemist. Future issues will show the writer Bettina von Arnim, the mathematician Carl Friedrich Gauss, the poet Annette von Droste-Hülshoff, the architect Balthasar Neumann, the painter Maria Sibylla Merian, and the Grimm Brothers, collectors of fairy tales.

If Lothar de Maizière, former East German prime minister, is to be believed, von Droste-Hülshoff, who will appear on a low denomination note, will be the most popular arrival in what used to be East Germany.

He say the only hitch with monetary union in July was that the Bundesbank doled out notes in the same ratio as they are used in West Germany – forgetting that poorer people require more lower denomination notes.

Goethe too

■ Germany is celebrating unity like Christmas, New Year, and Carnival rolled into one.

Along with the festivities comes a certain nostalgia. To add weight to their unity coverage, the biggest German newspapers have dug deep into the treasure trove of memories, and have enlisted the help of a galaxy of writers who are no longer alive.

The mass circulation Bild has splashed an exclusive article from its late founder Axel Springer. The Frankfurter Allegemeine Zeitung yesterday republished a speech from former economics minister Ludwig Erhard, under the catchy headline, Fears are unjustified. The Suddeutsche Zeitung has come up with a catchy quote from Goethe in 1828, "I am not afraid of Germany becoming one." Politicians have been resurrecting the language of the 1940s and 1950s to describe the hoped-for economic renaissance in the former East Germany.

The new east German states are described as being at Stunde Null (zero hour).

Careful observers of Chancellor Helmut Kohl, meanwhile, have noted that he has virtually stopped references to Nato in public speeches on unity.

He prefers the vaguer formulations "Atlantic Community" or "western community of values" – an indication perhaps that Nato in the new Germany will become progressively unloved.

Sceptics

■ There was a lot of criticism at the closing day yesterday of the Christian Democrat party congress in Hamburg of Social Democrat views on German unity.

Willy Brandt, who two years ago said that the Federal Republic was "living a lie" in hoping for reunification, came in for particular stick. Kohl himself said two years ago that he did not think he would live to see unity happen.

A more balanced tone was struck by Theo "Ted" Sommer, editor of the Hamburg weekly newspaper Die Zeit. Speaking yesterday in his city centre offices after putting to bed this week's bumper unity edition, Sommer reflected upon: "The scepticism of those like myself who wouldn't have died unfulfilled if unity had not occurred will serve us well – to prevent Germany getting ideas about being a big power".

Sommer believes that countries with "power" will anyway exercise it in future in a financial or technological sense rather than militarily.

The Gulf crisis, he remarked, shows that "America may lead but cannot dominate. Even if it acts as the world's policeman, it has to pass round the helmet afterwards to solicit contributions. That is a totally new way of behaving for a superpower."

Euro-seat?

■ There was an interesting ommission from Willy Brandt's article in yesterday's Financial Times on why nobody need fear German unification.

No doubt bearing in mind where the majority of his readers come from he did not mention his theory that Britain and France should renounce their memberships of the United Nations Security Council in favour of a new seat for the European Community.

The idea, also floated by the Italian government, received qualified support from Kohl in a television discussion the other night. No guesses how Margaret Thatcher or President Mitterrand would respond to the suggestion.

But perhaps somebody should ask Labour leader Neil Kinnock, now a convinced European and a fellow member of Brandt's Socialist International, what he thinks.

Tobacco road

■ "Look east young man" might be the current slogan for European business.

BAT Industries caught the tide yesterday by appointing a German to its main board for the first time. He is Ulrich Herter, aged 48, chairman of BAT's German subsidiary (leading brand HB).

With a sales force of 70 in East Germany he has pioneered the newly-opened market for cigarettes. The East Germans have been smoking at a rate of 33 bn cigarettes a year, compared with 119 bn in West Germany.

Herter has now captured 18 per cent of the combined market for BAT.

Hymn sheet

■ Germany's national hymn, with music composed by Haydn, was being played everywhere last night.

But it is surprising how many people, including conservative politicians, do not know the words of the one verse that remains in official use. Helpfully the mass-circulation Bild newspaper yesterday printed it in large letters on its front page.

A jigsaw puzzle with missing pieces

BT is heading towards globalisation as part of its strategy for the 1990s, writes Hugo Dixon

A belief that the telecommunications industry will follow others down the path of globalisation and that only the lean and the strong will make the world's top five has been behind many of British Telecom's moves over the past two years.

Earlier this year it unveiled Operation Sovereign, a massive re-organisation designed to reduce bureaucracy and make the company more customer-oriented. According to a former senior BT executive involved in the re-organisation, the company has drawn up a plan to cut its workforce by 80,000, or a third, over the next five years. The company says the numbers have not been decided.

As part of its international development, BT has been pursuing acquisitions overseas. Last year it spent £907m buying a 20 per cent stake in McCaw Cellular Communications, a leading US mobile phone company, and a further $355m acquiring Tymnet, a US data communications group. In an interview with the FT, Mr Iain Vallance, BT's chairman, revealed that more international acquisitions and joint ventures were in prospect in the next year, though he refused to be drawn on any details.

Mr Vallance believes that the globalisation of the industry will happen in response to consumer demand. Multinational corporations want to deal with a single point of contact for all their telecommunications services instead of having to knit together for themselves facilities provided by a multitude of operators in different countries.

BT expects to make profits out of globalisation in two ways. First, it hopes to boost its share of international phone calls, which are the most profitable part of the telecommunications business, though profit margins are likely to fall after action earlier this week by the UK's Office of Telecommunications. BT already has about 7 per cent of the global market for international calls – putting it third in the world after American Telephone & Telegraph and the German Bundespost Telekom.

Second, profits will come from managing large corporate networks on behalf of multinationals. BT believes that the world market for managing such networks is worth tens of billions of dollars a year.

The two sources of profit are related. BT's idea is to set up a multinational sales force which can build up relationships with corporations overseas, manage their networks on a global basis and so route a large proportion of their traffic on to its own network.

BT's strategy sounds fine in theory, but it is open to a number of questions.

● Is it another false start? Following BT's privatisation in 1984, the company acquired Mitel, a Canadian telecommunications manufacturer, in an effort to become a leading player in the world information technology industry.

Earlier this year, BT put its Mitel stake up for sale, admitting that its previous strategy had been misguided. So far, there have been no takers and, if the current share price is any guide, it is likely that BT will receive only a quarter of the C$322m it originally paid.

"They were naive and they paid too much for it," says Mr Stephen Owen, a telecommunications analyst at James Capel.

Mr Vallance says the new plan will not end in the same way because, among other things, there is a different management team. "The strategy tended to be let a thousand flowers bloom. A number of those flowers turned out to be weeds and one of the things that we have been doing over the past year or two is to weed that garden."

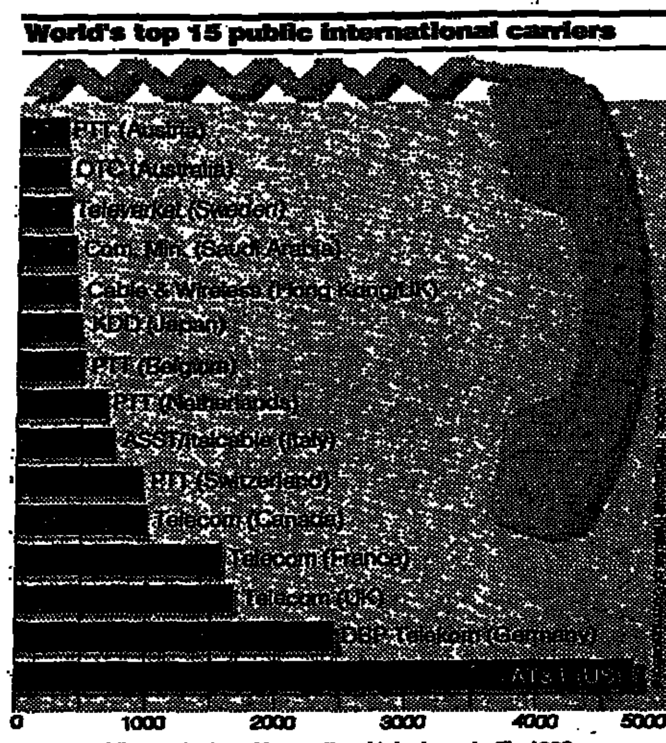
Even so, Mr Vallance has not won many fans with his acquisition of a minority stake in McCaw. Following a collapse in the prices of US cellular stocks, the stake is now worth less than a third of its original cost.

Mr Colin Bell, former managing director of AT&T UK, says, bluntly, that "BT was shown to be innocents abroad".

Moreover, it is difficult to see how the McCaw acquisition fits into the overall goal of winning more business from multinational customers, since the company supplies cellular services on a local basis, not corporate networks on a global basis.

Mr Vallance's response is to insist that McCaw fits in with the strategy but to say that he cannot yet reveal how. He compares BT's corporate plan with a jigsaw puzzle that has just been started: "There are some bits that may be the sky in the left-hand top corner, which at this point of the game are not linked. That doesn't mean that there aren't pieces in between that link the sky to the rest of the body of the jigsaw."

World's top 15 public international carriers



Million minutes of international telephone traffic, 1988

Commentators are more positive about the Tymnet acquisition. James Capel's Mr Owen says the Tymnet sales force could be used to start selling a broader range of BT services. Moreover, BT has already started integrating its data communications services with those of Tymnet and expanding its network to cover more countries.

● Does BT have a strategy or merely an ambition?

Mr Vallance says he is planning acquisitions and joint ventures to flesh out the strategy. The main thrust will be to expand BT's customer base and sales force, rather than to acquire infrastructure overseas. BT aims to use other phone companies' infrastructure to provide its services.

But Mr Bell says that it is not adequate for BT merely to express a desire to be a leading player in the US, Japan and Europe. It needs detailed plans of which geographical markets, which services and which industrial sectors it is going to target, and whether it is going to build up its presence through organic growth, acquisitions or joint ventures.

● Will BT's bureaucratic organisation frustrate the implementation of the strategy?

In recent years, the company has hired senior executives from outside the telephone industry in an attempt to inject a more dynamic culture. But one such executive, who has recently left BT, asks: "Can you get the impetus down to the bottom of the organisation? Once you're getting it through 12 levels you have no hope."

The frustration born of dreaming up plans which were not implemented was the driving force behind Operation Sovereign. The challenge is to slim down the organisation, reduce the levels of hierarchy and remove many middle managers not considered sufficiently entrepreneurial.

● How aggressive is BT prepared to be? Until now, the international telecommunications business has been run as a cartel between the world's phone companies. The phone companies have a series of agreements which inflate profits from international calls.

BT has to balance its desire to take market share from its counterparts overseas against the fear that, if it is too aggressive, it will kill the goose that lays golden eggs. Concern not to enrage AT&T, for example, seems to be the main reason that BT has not tried to compete head on with the US company in providing international services from America.

Nevertheless, BT's international ambitions are causing its former partners to become suspicious. "Many carriers are asking: is BT a companion or a competitor?" says Mr Tony Hagstrom, director general of Swedish Telecom.

Mr Vallance is equivocal: "It might not be in our best interests to see a clash of the Titans. Treading on their toes is a difficult thing ... but there is no way in which you can take market share without causing some degree of pain."

● Will BT's international ambitions lead it to take its eye off the ball at home? There is concern that BT might waste money on foreign adventures, which would have to be financed by UK consumers, or that the company might fail to sustain its recent improvements in quality of service because management attention is diverted elsewhere.

Mr Vallance counters: "You can't actually defend your home base properly unless you have the capability of raiding and attacking in other markets elsewhere, particularly the home bases of the major multinationals."

While there are doubts about whether BT will be successful in its global ambitions, in many respects it has a head start over other leading European phone companies. Six years in the private sector may not have changed its bureaucratic culture, but it is more commercially minded than France Telecom or the Bundespost Telekom – neither of which has been privatised.

Moreover, Operation Sovereign is strong evidence that BT's top management is finally grappling with the problems of a bloated bureaucracy which does not respond to customer needs. Without an effective organisation, any grand strategy is bound to end in tears.

Labour conference

Chief executive Kinnock considers his business

By Joe Rogaly

It is easy to be cynical about all politicians; as to Mr Neil Kinnock it is hard not to be cynical. The man wants power; he will perform such contortions as are required of him by his advisers in the hope of gaining it. To me, one of the enduring images of this party conference is of the Labour leader inadvertently breaking into the famous grin whose extraordinary width has so often deprived him of any appearance of gravitas. No sooner are the lips approaching full stretch than something – a sudden realisation of the presence of the cameras, perhaps – comes over him. The mouth is instantly contracted, the lips set inwards on themselves; it is as if he had swallowed a bitter herb. He will grin when the programme says he must, but not otherwise, not in public, not if he can help it. He had to struggle hard to control his smile during the prolonged ovation that marked the end of his speech yesterday.

Yet cynicism is not always apposite. Let us take the story of the extraordinary rise of Mr Kinnock at its face value. Here is a man of unspectacular intellect but, we can now see, burgeoning self-discipline. He has asserted his authority over the Labour party, not an easy organisation to handle, and converted it from what was a discredited rabble into a respectable social democratic party with a double-figure lead in the opinion polls and a reasonable claim to be taken seriously as a possible next government. A chief executive who turned a mature business around like that would be highly praised; some who have done so have no greater claim to the title of Brain of Britain than Mr Kinnock.

It was of just such a business manager that I was particularly reminded as the Labour leader spoke yesterday. He had the air of confidence that would follow naturally from his achievement. He has brought the enterprise round; it is responding to the political market-place. Every offering has been well researched; those rejected by the voters, such as socialism, have been discontinued. The replacements have been carefully tested over two years, first in a lengthy policy review document, then in a shorter but still verbose edition, then again in speeches here, private polls there. Now his managers, those closest to his understanding of what is required to meet the corporate objectives, are paraded: Mr John Smith, chief finance officer; Mr Gordon Brown, works manager; Mr Tony Blair, formerly labour relations director and now in charge of human resources; Mr Jack Straw, manager in charge of the product designed to build market share.

That, as we should know by now, is an emphasis on education and training. Labour's policy on this is principally, but not exclusively, to spend more than the Conservatives, although not too soon because that would be profligate. This is not the place to debate the other details; suffice it to say that the package is weak on the prerogatives of teachers, which will have to be abolished if true progress is to be made. It addresses genuine concerns felt by much of the public; Labour may well be able to rely on the probability that many of the swing voters it seeks are not well enough educated to spot the flaws.

The second bull point is supposed to be industrial policy. It boils down to a partnership between government and industry; an approach favoured by such Conservatives as Mr Peter Walker and Mr Michael Heseltine. Again, whatever the merits of the case, it sounds likely to be well received among the overwhelming majority of British voters, most of whom accept the market, but suspect it of being imperfect. The economic policy background to this strategy may not remain a Labour patent for very long: Mr Kinnock proposes to cut interest rates and join the exchange rate mechanism of the European monetary system. Only his third ingredient, the introduction of credit controls, is unlikely to be stolen by the Conservatives. Yet this latter item, too, is probably in tune with majority opinion. The same applies to Labour's proposed high-speed railway system, to be paid for "through a financial partnership between public and private sectors." Its business sense may be questioned; its political sense is evident.

I could go on, but the difficulty is already becoming self-evident. In his enthusiasm, Mr Kinnock has forgotten the value of hiring a good speechwriter. He was on his feet for an hour, and while Labour supporters in the hall seemed genuinely inspired, I have to wonder about the wider, television, audience: how many of those who watched it live found themselves dropping off?

Mr Kinnock would not mind. The principal purpose of this somewhat somnolent conference is to embed the idea that Labour really has changed, that it is not merely parading its new-found moderation with the intent to deceive. The most potent reason for accepting this proposition is Mr Kinnock's very thirst for power: if he does win the next general election, he will want a second term and, if possible, a third. You can see it in his every tactic. A firmly set jaw and a promise not to reduce income taxes is intended to be a sign of economic reliability; talk of long-term economic recovery has the same purpose. As the man who succeeded Mr Michael Foot as leader of what was then the remnants of a party he must be deeply aware of the pitfalls of abandoning such totems of moderation. The Conservative party manager, Mr Kenneth Baker, will have difficulty in catching him out. Mr Kinnock has become far too agile to be painted red.

The question is, will this neatly-packaged new business plan work? Mr Kinnock's advisers have persuaded him to create a sense of momentum, of the inevitability of a Labour victory. My own belief is that miracles are never inevitable, and that it would take a political earthquake for his party to win sufficient seats to enjoy an overall majority after the next election. In the mundane world in which the Labour leader must live, his efforts this week constitute the best shot he could offer, confident with what the party would accept. It is some way short of a miracle.

LETTERS

Corporate governance: a lesson from the Continent

From Mr M.J. Ainsworth.

Sir, Your editorial comment ("Entrepreneurs and the City," September 24) raises once again the issue of corporate governance and, in particular, the role of non-executive directors and institutional investors.

It is hardly surprising that non-executive directors have been found to be ineffectual whilst the law not only fails to provide a corporate structure which enables them to supervise the executive directors, but also refuses to acknowledge that they even exist.

The failure of institutional investors to take an active role in the governance of public companies has emasculated one of the fundamental concepts of UK company law – that the directors are responsible for their actions to the shareholders. Shareholders have wide powers to call meetings of the company to control the excesses of so-called entrepreneurs. The concentration of company ownership in the hands of a relatively small number of institutional investors should have made them a force to be reckoned with in the governance structure.

Perhaps we are being unreasonable, however, if we expect institutional investors to take on this role. The immediate concern of any fund manager is his quarterly investment returns. It is easier and safer for him to sell the shares than to get involved in governance issues.

If, however, institutional investors refuse to play the traditional role of shareholders, which it seems that they do, the law must be changed to restore the balance of power to ensure that the directors of public companies do not abuse their position. We certainly need more radical solutions than those suggested in your editorial and what could be more radical than to look to continental Europe for some guidance?

We could start by reappraising the merits of the European dual board system? Supervisory boards could, perhaps, provide non-executive directors with a more effective forum in which to contribute to corporate governance. They might even be a place where institutional investors would feel more comfortable.

M.J. Ainsworth,
chief executive & secretary,
Institute of Chartered Secretaries and Administrators,
16 Park Crescent, W1

Public sector pay information

From Mr Chris Trinder.

Sir, Your report ("Reduction in public sector pay cycles seen," September 29) suggests that fluctuations in the difference between public sector pay and salaries in the private sector have been reduced during the last decade and that this has been caused by the introduction of pay review bodies for nurses and long-term pay deals for civil servants.

The reduction in fluctuations has occurred in absolute terms, but not in percentage comparisons. The public sector pay increase of 10 per cent in 1987-88 is 137 per cent of the 7.3 per cent increase in the private sector in that same year. The "peaks" in 1975-76 and 1980-81 were 121 per cent and 128 per cent respectively.

The cycles on this basis for all years 1972-73 to 1990-91 shows the size of cycles has increased. The lower rates of inflation during the past decade have brought down the absolute figures, but not the percentage ones. Both dimensions are relevant for a discussion of causes and likely future forecasts.

Not only can the evidence be presented in more than one way and give opposite answers, but the analysis of cause and effect is not straightforward either. Even if these inefficient cycles are worse now than a decade ago, this does not prove that the long-term pay deals, for example, have not reduced them compared to what would have occurred in their absence.

It is the complexity of the issues being addressed and the need for a firm but not simplistic basis on which to debate different viewpoints on an issue which generates high emotions and accounts for about 60 per cent of all current (as distinct from capital) public expenditure that there is widespread support for the idea of new initiatives on public sector pay information.

Chris Trinder,
senior research fellow,
Public Finance Foundation,
3 Robert Street, WC2

Reality in eastern Europe

From Mr Graham Allen MP.

Sir, There are still massive misconceptions about the reality of economic change in central and eastern Europe. It is instructive to contrast the opinions of Nomura Research (Letters, September 25) with those of people actually charged with privatisation in Czechoslovakia and Hungary.

On a recent visit I was asked if an enthusiastic and ideologically driven British government takes 10 years to privatise 5 per cent of the gross national product of a plump and developed western economy, can a new and fragile democracy, without a market culture, be expected to do better?

The political promises of 50 per cent or three-quarters of an economy being transferred to the private sector in three or five years should be seen as a statement of unquestionable commitment to achieve a balanced, mixed economy. They should not be regarded as a cast iron timetable of the sort which has come unstuck in our own electricity privatisation.

Certainly many areas require and are amenable to immediate privatisation, such as shops, restaurants and hotels and others identified in Czechoslovakia and in Hungary's first privatisation programme (FPP). However, to go further without the development of a new economic culture and environment would lead to catastrophic production loss, huge unemployment and political destabilisation.

The nations of central Europe are finding their own answers and do know what they are doing. They now require less gratuitous advice of the sort offered in Mrs Thatcher's recent visit and more practical assistance in developing the skills, training, management and accounting structures, and infrastructure to support the evolution of a sustainable mixed economy.

Graham Allen,
House of Commons,
Westminster, SW1

Balancing universities' books

From Mr Michael Allen.

Sir, You report ("Action needed on universities' cash deficits," September 27) the Public Accounts Committee's criticism that universities have been slow to take action to correct deficits because "they have failed to recognise the seriousness of their financial position."

In fact, universities have been painfully aware of the seriousness of their financial position since at least 1981. However, few university officers take the view that reducing educational standards and opportunity constitutes responsible behaviour. Consequently, many universities have tried to maintain staff levels and have continued to buy library books and equipment despite what they hope will be only a temporary shortage of funds.

The "vigorous, prompt and effective" measures which the committee calls for might possibly balance the books but they will do nothing to improve the quality of our graduates, on which the future of this country is so heavily dependent.

Michael Allen,
1, Kingsfield Close,
Bradford-on-Avon, Wiltshire

Recycling cuts industrial costs

From Mr Terry Moorhouse.

Sir, This Common Inheritance, the government's white paper on environmental issues, has received considerable initial criticism. However, the government's consideration of levying a charge on products which are hard to dispose of is to be welcomed. This is the government's first serious attempt to legislate in favour of recycling waste oil, chemicals and solvents.

In this area, we are way behind our European competitors. Recycling has long been the most popular option in Europe where, in most cases, legislation favours its use. Recycling received official European Community approval in 1985. During a time of recession and soaring prices of industrial lubricants, it makes financial as well as environmental sense. Recycling holds no risks for the environment and can save industry up to £50 per barrel on current lubricant prices.

Terry Moorhouse,
managing director,
Midland Refineries,
Shelah Road,
Halesowen, West Midlands

FINANCIAL TIMES
Wednesday October 3 1990

Tokyo stocks reverse decline with record rise

By Our Economics and Markets Staff

CAUTIOUS HOPES of a negotiated peace in the Gulf and Sunday night's tentative agreement between President George Bush and Congress to cut the US budget deficit boosted global equity prices and pushed oil and gold lower yesterday.

By far the most spectacular performance came from the Tokyo stock market, where the Nikkei average shot a record 13.24 per cent upwards – by 2,676.55 points to 22,898.41, after plunging 761.64 on Monday.

The jump, which outshone the Nikkei's previous record point gain of 2,037.32 after the October 1987 stock market crash, followed Japanese government measures on Monday to support the equity market.

Trading volumes were moderate, however, causing some analysts to doubt whether the recovery marked a change of trend after the Tokyo market's sharp 48 per cent slide since the end of last year.

Mr Richard Jeffrey, director of economics at London stock brokers Hoare Govett said the bounce in Japanese shares showed how effectively the authorities could manipulate the Tokyo market. "But I don't think that makes the Japanese market any more attractive to the overseas investor," he said.

But the lack of strong follow-through in London and on Wall Street to the jump in Tokyo and Monday's sharp rise in US stocks showed that many investors preferred to take a cautious view.

In London, the FT-SE 100 share index opened at its high for the day with a gain of 44.5 points, before easing back in modest trading to close at 2,058.5 for a net gain of 27.7. Although share prices gained some support from heavy buying of the December futures contract and demand for blue-chips, institutions were reported to have taken the opportunity of higher prices to sell equities.

Share prices in Frankfurt, Zurich and Milan also closed higher yesterday but below their best levels. "The trust in the market just isn't there yet," said one Zurich dealer, reflecting on the day's modest trading volume.

Wall Street moved ahead at first and at midsession, the Dow Jones Industrial Average stood 14.85 higher at 2,530.69 but finished at 2,505.20, down 10.64 on Monday's close. The budget accord, with its hope of lower US interest rates, continued to have a positive influence on US bonds. Yields on the benchmark US long bond slipped to around 8.83 per cent at midsession, well below last week's high of 9.17 per cent.

Oil prices turned sharply lower, with Brent crude for November delivery in London quoted at $35.20 a barrel, $1.925 lower than on Monday and well below last week's post Gulf crisis highs of around $40. Gold also fell on the perceived easing of Middle East tension to $388.75 an ounce in London, against $396.5 on Monday.

Japanese stocks in record rise, Page 6; Lex, Page 16; Commodities, Page 27; World stock prices, Page 37; Market reports, Back Page, Section 2

US and UK resist anti-spying technology

By Nancy Dunne and Louise Kehoe

WORRIES about rapid computer and telecommunication innovation have prompted US and UK intelligence agencies to boost efforts to stop the spread of technology that makes spying more difficult.

US officials say the intelligence community fears such technology may reach drug and terrorist groups who could use it to make detection harder. So they have stepped up co-operation to minimise the impact of relaxed official export controls now that east-west tensions have eased. They are worried at the spread of technology with military application to the Soviet Union and countries such as Iraq, but a main concern is export of equipment which blocks interception of voice and data communications.

One official said intelligence agency opposition has often halted the export licensing process. British intelligence's role has grown and US-UK spy-service links drawn closer since the western allies agreed to liberalise multilateral export controls.

US officials cite as examples, proposed exports of optical fibre cable and transmission equipment, used in phone networks, and data encryption devices, employed to make computer data communications more secure. Both technologies are widespread commercially. Optical fibre is becoming standard for long-distance phone lines. Data encryption is seen as a safeguard against industrial spies and computer hackers.

The US and the UK intelligence agencies linked last year to block purchase by a major UK company of data encryption equipment designed to protect its IBM mainframe computer. IBM officials said they could not obtain the needed export licence for the data encryption equipment. It would certainly have been forthcoming if the UK company had persuaded the British government to back the sale. The UK declined to intercede, reportedly because of British intelligence opposition.

The intelligence community also led the US and UK governments to work together to curb liberalising export controls on telecoms equipment.

Mrs Margaret Thatcher, Britain's prime minister, is said to have talked to US President George Bush about pulling back from a pact with the Co-ordinating Committee for Multilateral Export Controls (Cocom) to ease licensing of high-capacity fibre optics telecoms cables and transmission equipment. Last June, the US and UK agreed to stop an attempt to set up a trans-Soviet fibre optic phone line.

High-tech exports face new licensing problems

Intelligence agencies encroach on east-west controls, write **Nancy Dunne and Louise Kehoe**

DR Stephen Bryen, the former Pentagon official in charge of export controls in the Reagan administration, was a strong proponent of strict curbs on sensitive high-technology exports. Today, he sells devices to protect computers from eavesdroppers – and complains that US export control policies are impeding his new venture.

The National Security Agency, he said, seems to exert a growing undue influence in export licensing. It is "not the right agency" to be handling export controls on his data encryption technology because conflict exists between its mission and the interests of US international competitiveness.

He sees US export control policy on data encryption devices as an anomaly. Others see it as typical of policies that have failed to match technology and world developments.

Moves to liberalise export rules for goods moving to eastern Europe have created optimism in the US computer industry.

But industry concern is growing that as rules are eased under the Co-ordinating Committee for Multilateral Export Controls (Cocom), decontrolled items are switched to other licensing regimes meant to stop proliferation of mass-destruction weapons.

The control processes have key differences, and this has led to the intelligence agencies' enhanced role. With east-west controls, the stress was on keeping from the former Soviet bloc sensitive technology which could be duplicated.

In controlling the spread of nuclear or missile technology or chemical weapons, the worry is more what individual proliferators are seeking for particular systems, be it chemicals or services or low technology.

Export decisions depend more on the end-user and his purposes; the intelligence agencies are needed to investigate would-be importers.

Controls against proliferators need sensitive treatment. The Missile Control Technology Regime is a series of US bilateral agreements with main producing nations to control sales of products deemed critical to develop missiles. The pacts do not even give names of destinations for fear of offending friendly countries. The State Department controls most of these licences. It is heavily influenced by the intelligence agencies.

One US official says the role of British intelligence agencies in the process has grown. In the US, a schizophrenia has existed in export control policy as the various agencies in charge, the State, Commerce and Defence Departments, and the congressional committees overseeing them, struggle to balance the interests of business, national security and foreign policy.

"The cultural ethos of the groups differs radically," says another US official. "State prefers to do things quietly – no press, no Congress. Collegiality is important to business people. They want the process open, the rules clear. The Pentagon sees the press as useful to attack various people. It sees threats everywhere."

Media reports help swing the balance between business and national security interests. When the trade deficit is stressed, pro-business interests have the edge in legislation to curb state and Pentagon influence over exports.

In the uproar over sales to Iraq which could help weapons development, the Pentagon was given new review powers. One senator demanded sanctions be levied against foreign companies which had contributed to the Iraqi build-up.

Lack of clarity in export control policy has produced confusion. Pro-trade interests recently prodded the Commerce Department to launch a promotional effort to boost sales of US telecoms technology.

The commercial officers went to work, only to find export licences for the most modern equipment would be denied to China and India, two of the most lucrative markets.

Milken to be assessed on character by judge

By Nikki Tait in New York

MR Michael Milken, former head of the junk bond department at Drexel Burnham Lambert, will next week face a "mini-trial" to enable a federal judge to assess his character before sentencing him.

Mr Milken has already pleaded guilty to six separate violations of federal securities law, but the Government has claimed that these offences need to be considered in the light of a much larger body of evidence against him and the Drexel investment house, which went bankrupt earlier this year.

Milken: guilty on six charges

Much of the additional wrongdoing alleged by the government centres on Drexel's relationship with Mr Ivan Boesky, the US arbitrageur who has already served a prison term for insider trading. Mr Boesky could be called to give evidence against Mr Milken in the hearing, due to start next Tuesday.

Mr Milken's lawyers deny these further allegations and also dispute the relevance of the Government's material to the sentencing issue.

Judge Kimba Wood, nevertheless, has postponed sentencing Mr Milken and yesterday outlined how the hearing of the Government's extensive additional allegations would proceed.

The purpose, she told both sides, is "to shed light on the defendant's character". Theoretically, Mr Milken could be jailed for up to 28 years.

Both sides will have about 20 hours to present evidence, call witnesses and cross-examine. The Government will concentrate on only four of the specific situations where it claims there was wrongdoing.

These involve Wickes, a home products company which was attempting to raise new capital in 1985 with Drexel's help; MGM/UA, the entertainment group, which was subject to a bid in 1985-86 from Turner Broadcasting on which Drexel was advising; Caesars World, the casino group which was restructuring its debt with Drexel's aid in 1983; and Storer Communications, at the centre of a proposed leveraged buyout from Kohlberg Kravis Roberts, which was being advised by Drexel, in 1985.

Yesterday, in a discussion between Judge Wood and the two sets of lawyers, the government unveiled its potential witness list of over a dozen individuals and was headed by Mr Boesky – although there is no guarantee that all the individuals will be called.

Despite pressure from Mr Milken's lawyers to give more details of when, or even whether, Mr Boesky would take the stand, the government lawyers declined to commit themselves. They did, however, say that it was unlikely to be on the opening day of the hearing.

Nissan to export 10,000 cars a year from UK to Japan, Taiwan

By Kevin Done, Motor Industry Correspondent, in Paris

NISSAN, the Japanese car maker, is planning to export about 10,000 cars a year from its British assembly plant to Japan and Taiwan, the first move by a Japanese vehicle maker to ship cars from Europe to Asia.

Mr Tetsuo Arakawa, Nissan Motor vice-president for international operations, said at the Paris motor show last night that the shipments from the UK would begin next year.

While Nissan, Japan's second largest car maker, will break fresh ground in Europe, Honda and Toyota already export cars from their plants in North America to Japan and Taiwan.

Nissan was the first Japanese car maker to begin development of a car plant in Europe. Production started at its £640m ($1.2bn) plant at Sunderland, Tyne and Wear, in 1986. Exports to markets in continental Europe began in late 1988.

Nissan said it would export hatchback models of its UK-built Primera to Japan, while it would export hatchback and saloon versions from the UK to Taiwan.

The export of cars from Europe to Japan will enable Nissan to circumvent Taiwanese restrictions on direct car exports from Japan.

Mr Arakawa said Nissan was aiming to reduce its overall car exports from Japan as it built up overseas production. By the end of the 1990s it would be producing two vehicles overseas for every vehicle exported from Japan.

He said the globalisation of corporate activities was "inevitable . . . how to come to grips with globalisation will be one of the major issues facing the motor vehicle industry during this decade".

In the year to the end of March, Nissan built some 3m vehicles, of which 645,000 were produced overseas. Of the 2.37m produced in Japan, some 990,000 were exported.

"There are some who would call this overseas expansion an 'attack' on local industries," said Mr Arakawa, but Nissan had "no intention of charging recklessly into other markets and disrupting the market order".

Nissan had made a "clear-cut" commitment to reducing vehicle exports from Japan, he said.

"By the end of the 1990s, we plan to reduce our export volume to roughly one half of the peak level of 1986, when we shipped 1.41m vehicles overseas."

In the year to the end of March, Nissan vehicle exports fell by 9 per cent to 990,000, while this year, overseas production is planned to rise by 7 per cent to 690,000.

Mr Arakawa said Nissan was also seeking to increase the value of its imports to Japan, which would rise by 25 per cent in the 12 months to the end of March 1991 to $500m from US $400m a year ago.

The decade of the 1990s would be "characterised by the emergence of borderless economic activities as symbolised by the unification of the EC market in 1992 and the creation of a European Economic Space including EFTA", he said

Nissan was seeking to localise its overseas management; all its big overseas manufacturing plants in the UK, the US, Spain and Australia were managed by non-Japanese chief executives.

The group was seeking to localise its overseas activities in five steps:

- by increasing the volume of local production;
- by expanding local sourcing of components (the UK-built Primera will achieve 80 per cent local European Community content);
- by localising research and development activities (research and development facilities are being developed in the US and in the UK);
- by localising managment functions;
- by localising decision-making.

Two new umbrella companies, Nissan Europe and Nissan North America, had begun operations this year and Nissan was "in the process of transferring to them most of the functions and authority of our head office in Japan", said Mr Arakawa. Two Europeans had been hired as vice-presidents at Nissan Europe.

Nissan had finished laying the foundations for the localisation of decision-making to establish a "tripolar management structure encompassing Japan, North America and Europe", but the biggest issue facing the company in the 1990s was "how to advance globalisation further".

"We will need to manage our operations from the standpoint of one global market and one global production system. That will require the construction of a closely linked system of complementarity on a global scale instead of operating our units in the UK, Spain or in other countries as self-contained units."

Nissan attacked over pricing, Page 10

WORLDWIDE WEATHER

		°C	°F			°C	°F			°C	°F
Ajaccio	F	23	73	Berlin	C	11	52	Caracas	C	30	86
Algiers	S	32	90	Biarritz	S	25	77	Casablanca	F	25	77
Amsterdam	S	16	61	Bombay	F	30	86	Chicago	S	3	37
Athens	S	27	81	Bordeaux	S	22	72	Cologne	C	15	59
Bahrain	S	32	91	Boulogne	F	20	68	Copenhagen	F	12	54
Bangkok	F	32	91	Brussels	C	17	63	Corfu	S	25	77
Barcelona	S	23	73	Budapest	R	12	54	Dallas	S	19	66
Beirut	–	–	–	Buenos Aires	F	29	84	Dublin	R	15	59
Belfast	R	13	55	Cairo	F	27	81	Dubrovnik	S	25	77
Belgrade	Fg	22	72	Cape Town	S	17	63	Edinburgh	F	15	59

		°C	°F			°C	°F			°C	°F
Faro	S	25	77	Islamabad	F	29	84	Madeira	S	23	73
Florence	S	25	77	Istanbul	S	22	72	Madrid	F	25	77
Frankfurt	C	15	59	Jakarta	F	33	91	Majorca	F	27	81
Geneva	S	17	63	Jersey	C	17	63	Malaga	S	26	79
Gibraltar	S	26	79	Johannesburg	S	26	79	Malta	F	26	79
Glasgow	R	12	54	Lima	C	19	66	Manchester	S	16	61
Helsinki	C	7	45	Lisbon	S	22	72	Manila	C	30	86
Hong Kong	F	27	81	London	C	17	63	Melbourne	C	13	55
Innsbruck	S	20	68	Los Angeles	C	19	66	Mexico City	F	26	79
Inverness	R	15	59	Luxembourg	F	16	61	Miami	S	25	77

		°C	°F			°C	°F			°C	°F
Milan	S	22	72	Nicosia	S	27	81	Salzburg	C	16	61
Montreal	C	10	50	Oporto	S	21	70	San Francisco	S	19	66
Moscow	C	5	41	Oslo	C	8	46	Seoul	S	22	72
Munich	C	13	55	Paris	S	19	66	Singapore	C	29	84
Nairobi	F	25	77	Peking	S	25	77	Stockholm	F	11	52
Naples	C	25	77	Prague	F	17	63	Strasbourg	F	19	66
Nassau	C	31	88	Reykjavik	S	7	45	Sydney	C	16	61
New Delhi	S	32	90	Rhodes	S	26	79	Taipei	C	27	81
New York	S	16	61	Rio de Janeiro	C	30	86	Tangier	C	25	77
Nice	S	22	72	Rome	C	25	77	Tel Aviv	F	27	81

		°C	°F
Tenerife	F	21	70
Tokyo	F	22	72
Toronto	S	7	45
Tunis	S	31	88
Valencia	R	22	72
Venice	S	22	72
Vienna	F	16	61
Warsaw	F	12	54
Washington	S	15	59
Zurich	C	17	63

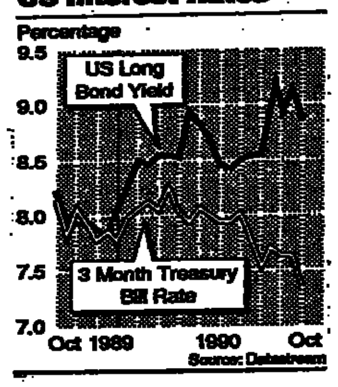
Temperatures at midday yesterday C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

THE LEX COLUMN

A brief rest for the nerves

The Japanese market, in particular, was overdue for a correction. Any market which can fall 15 per cent in a week and by more than a third in a couple of months is liable to stage a dramatic bounce. Bear markets do not go down in a straight line. That said, there is no obvious reason why the measures the Japanese authorities have taken to prop up their market should mark the turning point. The recent liberalisation of the Japanese financial markets has reduced the power of the officials to dictate the level of the market, and the Bank of Japan has not suddenly lost interest in squeezing asset price inflation out of the system. Indeed, Tuesday's recovery in the market reduces the need for a panic cut in interest rates to smooth the fall.

US Interest Rates



Meanwhile, it is one thing for investors in the world's other equity markets to pop their heads above the parapet and not spot any bears. It is quite another to conclude that they have disappeared for good. A week ago the oil price seemed to be heading for $40; yesterday it was settling down around $35; and if the US budget assumptions are to be believed the price will average $24.15 next year. Of course, events in the Gulf will make a mockery of almost any forecast. But the improvement in sentiment reflects a modest reduction in both the oil price and political tensions. However, to read anything more into yesterday's market moves would be foolhardy. There is nothing in the events of the last few days to suggest that the world monetary squeeze is over.

Polly Peck

On closer inspection, Monday's Polly Peck statement looks even odder than before. Mr Nadir's own difficulties over liquidity are by this stage perhaps unsurprising. What is less expected is confirmation of liquidity problems at the company. These problems, the board says, were "precipitated" by the fall in the share price and associated publicity, which does not necessarily mean they were caused by it. Either way, it seems curious that a company with Polly Peck's reputedly strong cash flow should prove so fragile.

But on closer inspection, that cash flow proves something of an illusion. It is to be expected that a growing company should be a consumer of cash. It is less usual to find that, as in Polly Peck's case in the last two years, the gross operating cash flow before tax and dividends is consumed almost twice over by the increase in working capital alone. Thus last year, for instance, the company had incurred an outflow of £116m before embarking on £209m of capital expenditure and £583m in acquisitions.

The most striking part of this outflow is the inexorable rise in trade debtors, presumably representing advance payments to citrus growers, credit to electrical wholesalers and the like. Last year Polly Peck advanced £259m more trade credit than it received, which is a material sum in relation to a net worth excluding intangibles of £560m. It is also the kind of process more easily accommodated in the benign banking climate of the 1980s and not necessarily easy to slow down when the climate turns more hostile.

It also seems that the company has very large financial assets held in depreciating currencies, presumably in Turkey and Cyprus. The amounts written off are not cash items, but they have a hefty effect on distributable reserves; over the past three years they have more than offset total retained profits. It may have seemed odd for Mr Nadir's bankers, as revealed in Monday's statement, to have unloaded Polly Peck shares on to a collapsing market. But perhaps they knew what they were doing after all.

UK plasterboard

The Government's decision to relax its grip on BPB Industries' monopoly of the UK plasterboard industry comes as no surprise. The 60 per cent drop in BPB Industries' share price over the last three years amply demonstrates what can happen when a couple of powerful new competitors take aim at a company with a market share of 96 per cent. The marketplace for UK plasterboard has been transformed, rendering BPB's previous undertakings relatively meaningless.

The big unknown is how BPB will react to its new found pricing freedom. Yesterday's report from the Monopolies and Mergers Commission underscores its difficult predicament. According to industry forecasts it will be another three years before UK plasterboard sales recover to the record 1988 level, and this would still be 14 per cent below BPB's own current capacity. For those involved, nothing will be gained by a long drawn out price war, but given the UK government's renewed stress on vigorous competition, it sounds as if nothing less would trigger yet another investigation.

Sears

For asset backing, Sears is hard to beat. One day, though not perhaps this side of 1993 and not from the Al-Fayeds, the long-awaited break-up bid will materialise. And in the meantime, the company has been doing enough by for example selling off William Hill, recycling its 3,000-shop portfolio and investing £6m in the Selfridges Food Hall to keep earnings and dividends moving ahead at a reasonable pace. So run the three basic propositions of most stock market commentary on Sears. Regrettably, as yesterday's disappointing interim figures underlined, their validity is starting to wear thin.

As regards assets, where Sears had £977m of land and buildings in its books at the last year-end, the obvious difficulty is that UK retail property is still a buyers' market and may be so for several years. Sears is finding this with its sale of 200 shoe shops: properties can be sold, but the timescale has lengthened. More generally, Sears' balance sheet, though not stretched, is getting no stronger. Net debt could be £250m by next January; and the likely dividend cost of £80m, for a year when taxable profits may total only £125m, will represent another drain.

As for earnings per share, even in the good years of the mid-to-late 1980s Sears was only growing on average at 7.5 per cent per annum. The debacle this year at Sears' menswear shops and at British Shoe, where half-year trading profits were a mere £4.4m, is a reminder of the long haul Sears faces in rejuvenating some of its core assets.

FINANCIAL TIMES
COMPANIES & MARKETS

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INSIDE

Maxwell to sell his television interests

Mr Robert Maxwell, the publisher of Mirror Group Newspapers, announced last night that he plans to sell his television interests. The decision to sell these privately-held assets parallels a disposal programme at his publicly-quoted company, Maxwell Communication Corporation (MCC). Mr Maxwell is to sell his stakes in TF1, the French first television channel, in Central Independent Television in the UK, in MTV Europe and other interests in British cable television. Mirror Group Newspapers, owned by the private Maxwell interests, is to purchase MCC's 27 per cent stake in Donohue paper mills in Quebec.

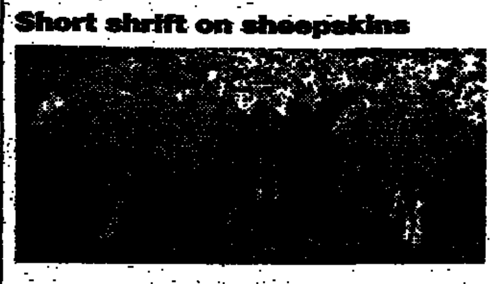
Back to basics

BASF, the German chemicals group, takes research and development seriously. It employs 12,300 in the total R&D effort, and spends DM 2bn ($1.29bn) annually — more than either ICI or Royal Dutch-Shell. David Fishlock talks to Hans-Jürgen Quadbeck-Seeger, executive director responsible for R&D, about the company's commitment to basic research. Page 29

PepsiCo gets into Mexican food

PepsiCo has taken another step in its plan to expand its lucrative snack foods business. The world's second biggest producer of soft drinks yesterday announced that it had taken a 70 per cent stake in Empresa Gamesa, a Mexican biscuit maker, for $300m. Page 19

Short shrift on sheepskins



Pittard Garnar, the UK's only independent quoted leather company, yesterday announced a plunge into the red in the first half following a collapse in the price of sheepskins. The company was once again knocked back by the volatile price of a raw material which is spewed out by the meat industry, rather than linked to the demand for skins. Page 24

High hopes fall flat

High hopes for the US financial marketplace following SEC rule changes have so far failed to prove justified. The liberation of the US private placement market for debt and equity in April comes as companies are shying away from international issues amid the uncertainty in world markets. Page 22

Picking up the pieces

James Unruh (left), president of US computer and defence group Unisys, readily acknowledges that 1989 was a disaster for the company. He is no longer obsessed with growth but instead with a return to profitability after a staggering loss of $639m last year. One of his most urgent tasks is to draw together its disparate collection of computer products. Louise Kehoe reports. Page 20

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Beiersdorf	766	+	88
Hertie	355	+	25
Mannesmann	262	+	10
Sud-Chemie	609	+	30
Volkswagen	402	+	10
Falls			
Degussa	321	—	18.8
NEW YORK ($)			
Rises			
Gen Elect	$57\frac{7}{8}$	+	$\frac{7}{8}$
IBM	$110\frac{3}{4}$	+	$1\frac{1}{4}$
Pepsico	25	+	$\frac{1}{2}$
Ph. Morris	$48\frac{3}{8}$	+	$\frac{3}{4}$
Falls			
Amoco	$55\frac{1}{8}$	—	$1\frac{1}{8}$
Mobil	$62\frac{5}{8}$	—	$\frac{1}{2}$

New York prices at 12.30pm.

PARIS (FFr)			
Rises			
BNP	282	+	12
CSE	521	+	22.7
Havas	483	+	20
Matra	229	+	11
Radiotech	389	+	20
Spie-Bat	495	+	25
TOKYO (Yen)			
Rises			
IHI	600	+	100
Itoh	670	+	100
M'bishi Paper	825	+	120
Michinoi	770	+	120
Ryobi	640	+	100
Falls			
Kurabo	1050	—	200

LONDON (Pence)			
Rises			
Allied	155	+	10
Barclays	332	+	11
Burmah	467	+	12
Eurotunnel	400	+	12
Glaxo	766	+	31
Grand Met	552	+	11
Guinness	690	+	12
Lex Servs	211	+	8
Lloyds Bank	258	+	9
Lloyds Chemis	157	+	19
RMC	545	+	19
Redland	528	+	11
Reuters	828	+	40
Scot & New	340	+	11
Sedgwick	185	+	11
Unilever	634	+	16
Falls			
Amersham	286	—	10
Auto Secs	188	—	19
Next	22	—	$6\frac{1}{2}$
Palma	19	—	5
Sears	79	—	4
Thai Holdings	194	—	6

Plus: Racal Tel 254 + 17

La Générale falls sharply in first half

By Lucy Kellaway in Brussels

SOCIETE Générale de Belgique, Belgium's largest company, yesterday announced a steep fall in profits for the first half of 1990. It also warned that serious problems with its arms-making subsidiary and a slowing economy would mean that there was no hope of repeating its 1989 performance this year, as previously predicted.

In the first six months, the company made a consolidated net profit before extraordinary items of BFr4.6bn ($143m), compared to BFr16.8bn for all of 1989. These were the first consolidated interim figures produced by La Générale, so there were no comparable figures for the first half of 1989.

Mr Etienne Davignon, president of La Générale, yesterday said the weakness of the result was due to special factors that would not be repeated.

Most important were problems at Fabrique Nationale Herstal, La Générale's almost bankrupt arms company, which is struggling to put together a rescue plan. Mr Davignon was optimistic that this plan would succeed, and stressed the company's underlying industrial strengths.

The results were also hit by heavy financial charges related to the investments made by La Générale since the attempted takeover by Mr Carlo De Benedetti, the Italian financier, in 1988.

Mr Davignon said the turndown in the economy had come at the wrong time, but that these investments would still pay off in the longer term. "We can go on generating profits, and we are not going to be hampered by the present economic trend," he said.

The company was hit across the board by higher interest rates, the fall in the dollar and by the fall in demand and prices for raw materials.

These were the first poor figures from the big holding company since the new management took over in a blaze of glory two years ago. The market was prepared for the results — the share price had fallen more than 30 per cent since July. Mr Davignon said this represented too harsh a judgment. "In 1989 we were too much in fashion. Now we are too much out of favour," he said.

Net profits including extraordinary gains for the period were BFr7.5bn, compared to BFr20.1bn for 1989. The sharpest falls were in the industrial sector, where operating profit was down from BFr9.7bn to BFr3.3bn, and in the non-ferrous sector where profits fell from BFr12.1bn in 1989 to just BFr3.6bn for the first half.

These figures were affected by the weak results of its non-ferrous Acec Union Minière subsidiary, which was the subject of an unsuccessful partial flotation earlier in the year.

Banesto buys Rioja unit from Guinness

By Tom Burns in Madrid

BANESTO, the big Spanish bank and industrial holding, said yesterday it had acquired control of Bodegas AGE, the leading exporter of Rioja wines, from Guinness, the UK drinks group.

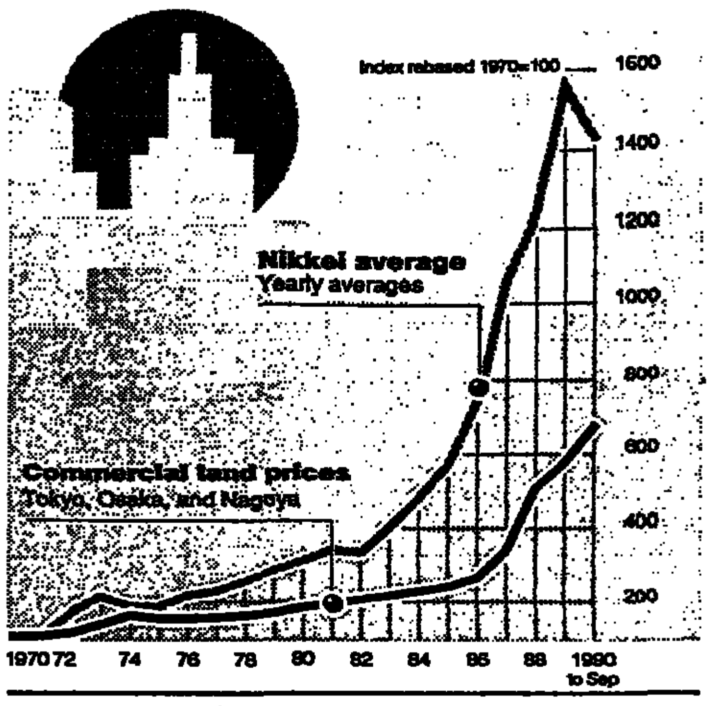
The acquisition is the first major purchase by the bank since it launched Corporación Industrial Banesto in July as a holding for its industrial assets. It is seen as a strategic move by the conglomerate into the food and drinks sector.

The reported decision by Guinness to sell its 50.8 stake in AGE fuelled speculation in Madrid that the UK brewer was poised to bid for Cruz del Campo, Spain's largest brewer, whose sale is being managed by Goldman Sachs, the US investment bank. Analysts were suggesting in Madrid yesterday that Banesto could be planning a partnership with Guinness in a bid for Cruz.

Cruz, controlled by a group of families based in Seville, has a 22 per cent share of the fast growing Spanish beer market. It is said by analysts to be a key acquisition for any brewery with pan-European ambitions.

Together with Guinness, several other multinational beer groups, including Interbrew of Belgium, the Dutch Heineken group, Fosters of Australia and United Breweries of Denmark — the Carlsberg producer — have expressed interest in the sale of Cruz.

One of the big fears is that another gravity-defying market is ready to fall



Sums of the rising land

Stefan Wagstyl and **Robert Thomson** assess prospects for property prices in Japan

A television presenter, using a chart to illustrate the crisis in Tokyo's financial markets to viewers, points to three columns of most serious concern: the Tokyo stock market, international oil prices and Japanese land values. The first is down 46 per cent, the second is up 100 per cent and the third is a blank space waiting to be filled.

As Japanese stocks have plunged, one of the biggest fears in Tokyo is that another gravity-defying market, Japanese real estate, is ready for a similar fall.

The concern is that if property prices drop sharply they could bring down dozens of Japanese companies which have over-extended their borrowings to invest in land. If these groups run into trouble some of the financial companies which stand behind them could also be plunged into difficulties.

This in turn could trigger more selling in the stock market. Many speculative investors, companies and individuals, borrowed heavily to bet on both markets — using land as collateral to buy stocks and vice-versa.

Property-secured loans account for about one third of bank lending — for the 12 leading commercial banks alone the figure was Y57,300bn ($420bn) at the end of March, 23 per cent of all loans. Small local banks are far more exposed.

The Bank of Japan believes that even if a few small banks have to be rescued a general financial crisis is extremely unlikely. But it is sufficiently worried to have carried out studies of both the UK 1974 secondary banking crisis and the US savings and loans debacle.

Fears of a price collapse are balanced in many peoples' minds by a deep-rooted belief that land prices in Japan never fall, because land has an almost-mystical significance in the crowded islands. While stocks have fallen by more than 30 per cent six times since the war, land prices have fallen only once — by about 10 per cent after the first oil shock in 1974-75. "People believe that companies can sometimes go bankrupt but land will always be there," says a senior official at the Bank of Japan.

The Bank of Japan thinks that land prices have to fall in response to the increase in interest rates over the past 18 months, because like stocks, property values were artificially inflated by the surge in easy credit in the late 1960s. According to National Land Agency figures, (which tend to understate price levels) Tokyo land prices more than doubled in 1986-88 and then increased by the same multiple in Osaka and other large cities in 1988-90, often bid up by the same Tokyo-based investors who had earlier profited from the boom in the capital.

Mr Yasushi Mieno, the central bank governor, said recently a gradual decline would be welcome. However, data from the stock market suggests hopes of a soft landing may be wishful thinking.

Property-related stocks on the First Section of the Tokyo Stock Exchange have plunged 54 per cent since the beginning of the year, compared with a 43 per cent fall in the Nikkei index.

But a more accurate advance indicator of land prices could be the index of golf club memberships, which are regarded as a substitute for property since they entitle the owner to a stake in the club's assets. Prices for membership are down just 19 per cent from their peak levels.

In the property market itself firm information is scarce, but real estate brokers report prices are softening, particularly in residential parts of Osaka, where the price of second-hand flats has fallen 20 per cent from its peaks. Price declines are expected to be most serious in Osaka and provincial cities because they were still going up as late as the start of 1990, whereas in Tokyo prices have been static since 1988. Indeed, in some cases, land prices in Osaka have exceeded prices in Tokyo — for the first time ever.

Banks are under heavy pressure to limit the rate of growth of real estate lending in response to controls imposed by the authorities and the battering they have received in the stock market. Already one heavily-indebted company — Itoman, an Osaka-based trader — has been forced to announce plans to sell its portfolio under pressure from its bank, Sumitomo Bank.

The banks argue their loans are safe because land held as collateral is valued at 70 per cent of market price. But even if prices only fall 20 per cent, the safety margin could quickly be eroded by, for example, mounting unpaid interest payments.

The property bulls argue that the banks' difficulties will be temporary — in the worst case there will be ready buyers for land offered in distress sales. They say the common perception that Japanese prices were high before the latest boom, and have since risen to ridiculous heights, is mistaken. Since 1955, the 53-fold increase in land has outstripped consumer price rises (up 5.3 times) and salary increases (up 20 times). But the value of Japan's nominal gross national product has risen 46 times. Thus high Japanese land prices reflect the country's high productive capacity.

The bulls concede that prices in Osaka may have risen too sharply, but not in Tokyo, where the speculative heat went out of the market more than two years ago. Real estate brokers say there is strong real demand for land in Tokyo, particularly good central sites, from both Japanese and foreign companies. Mr Mitsuharu Murakami, executive vice president of Kajima Corporation, the construction company, says: "Japan's land supply is limited. We have continuing economic growth and less and less land. There might be a small decrease, but not a dramatic fall."

The bears answer that the surge in property prices is different from previous land price increases because of the much heavier role of borrowed money. Deregulation of banking has allowed the big banks to raise loans from the equivalent of 30 per cent of gross national product in 1980 to more than 50 per cent now. This cut all links with reality: Mr Akio Mikuni, president of Mikuni, a credit rating company, estimates that buying a house or flat in Tokyo now costs 10-12 times the average homebuyer's annual income. Five times should be the maximum, he says. The current imbalance is "outrageous".

As for commercial property, rents have been rising but not as fast as prices. Moreover, a rise in interest rates has widened the gap between rent yields and money market interest rates from about 3 per cent in the early 1980s to 5 per cent.

The bulls' counter-argument is that it is a mistake to value Japanese land in terms of its potential rent income. Particularly in Tokyo, companies give an overriding priority to central location because this brings prestige and access to information, government offices and transport. Moreover, they say, tax and legal considerations put a premium on land as an asset. For example, inheritance taxes are paid on the officially-assessed value of land, which is a fraction of the true price.

There are moves to reform laws to encourage owners to sell more unused land, including urban farm land. The government is considering plans for a tax on corporate land holdings. But measures which could seriously disturb the market are unlikely, particularly after this year's shock in financial markets. After all, 61 per cent of Japanese own their homes. The Ministry of Finance early this week showed its willingness to intervene in the stock market; it seems most unlikely that it would not take comparable action if the worst came to the worst in land.

Fairfax warns on debt problems

By Kevin Brown in Sydney

JOHN Fairfax, the privately-held group which owns three of Australia's four leading newspapers, yesterday warned that deteriorating trading conditions could push it into a breach of borrowing agreements within two months.

The group said higher advertising rates and cover prices had cut net losses from A$171.99m ($143m) to A$59.08m for the year to June 30. But trading conditions had worsened since the year end, threatening the group's ability to continue to service its debts.

In a note to the accounts, the group said it had undrawn credit of around A$100m, relating to a A$1.1bn facility provided by the ANZ Banking Group and Citibank. "If current trading conditions continue, the company is likely to breach certain borrowing covenants in the credit facilities in July 1991, and may do so as early as December 1990. Unless the covenants are renegotiated or waived, such a breach could lead to these credit facilities being withdrawn," the note said.

"If the credit facilities are withdrawn without alternative funding being available, the company may not be able to pay its debts, as and when they fall due."

The announcement marks a significant worsening of the group's underlying financial position since the spring, when it told the US Securities and Exchange Commission that it was unlikely to default on loan agreements before next July.

The group's debt problems largely flow from a A$2.1bn takeover in 1987 in which Mr Warwick Fairfax acquired 75 per cent of the group's shares and 100 per cent of voting rights from other family members. Mr Fairfax recovered day-to-day control of the group in August when he blocked a restructuring scheme drawn up by independent directors which would have reduced his holding in the company to a nominal amount.

Mr Fairfax said he was working with advisers in the US and Australia to restructure the group's finances and achieve a "more viable" balance between debt and equity.

He hoped a satisfactory solution could be reached within six months, but it was too early to provide details of the restructuring, which would be "a very complex and time-consuming task".

John Fairfax publishes the Sydney Morning Herald and Australian Financial Review in Sydney, and The Age in Melbourne. It is the principal competitor to Mr Rupert Murdoch's News Corporation, which runs The Australian. The group's loss was struck after abnormal losses and interest charges up from A$243.36m to A$269.10m.

Ferruzzi severs links with top bank

By Haig Simonian in Milan

FERRUZZI, the Italian industrial conglomerate run by Mr Raul Gardini, has stunned the country's banking community by severing all links with Banca Commerciale Italiana (BCI), one of the country's leading financial institutions.

The move, which Ferruzzi says bears no reflection on the bank's operational ability or services, marks one of the biggest, but least expected, bombshells from the continuing battle for control of Enimont, the public-private chemicals joint venture.

Although Ferruzzi has taken pains not to be specific, its grievance appears to lie in what it sees as undue political influence over BCI. Such complaints are apparently focused on Mr Luigi Fausti, a BCI executive who became one of its managing directors earlier this year.

A long-standing employee of the bank, Mr Fausti is also close to the Socialist Party, which has been bitterly opposed to any sale of the state-owned stake in Enimont to Ferruzzi's Montedison chemicals group. The state's 40 per cent Enimont stake is held through Eni, the public-sector energy group which is also close to the Socialists.

In a brief, but telling, statement last night, the bank said that, in line with tradition, it had no intention of "making any comment on the pose assumed by the Ferruzzi group".

Although large parts of Italian finance are publicly-owned, and many banks are known to be politically influenced in their commercial policy, this is the first time that differences between a private company and public-sector bank have broken out so conspicuously, or on so explosive an issue.

Observers believed it was unlikely that Ferruzzi, Italy's second-biggest private-sector concern, would have acted so publicly without first taking informal soundings from other leading private-sector figures. Earlier this year, both Mr Gianni Agnelli and Mr Leopoldo Pirelli spoke out year on the creeping politicisation of top Italian banking appointments.

BCI is Ferruzzi's leading bank, with about L800bn ($688m) in credit lines to the group, as well as a host of other banking relationships, including foreign exchange and international payments transactions. The lines represent about 8-9 per cent of Ferruzzi's total group debt, and steps were already being taken to replace them where necessary, an official said.

Ferruzzi is already believed to have taken steps to close its accounts with BCI and repay loans outstanding. Funds have also been put aside to cover repayments for financial commitments subject to a fixed maturity in the future.

Peugeot climbs 8.8% to FFr4.95bn

By Kevin Done, Motor Industry Correspondent, in Paris

PEUGEOT of France, the third largest European car maker, increased its net profits by 8.8 per cent to FFr4.95bn (US$951m) in the first half of the year helped by lower tax payments.

Mr Jacques Calvet, chairman of the French group which includes Citröen, said he was hopeful that net profits for the full year would equal or exceed the FFr10bn achieved in 1989, while group turnover would rise by about 9 per cent from FFr153bn last year.

Peugeot group turnover in the first six months rose by 5.8 per cent to FFr85.73bn, with slightly higher growth abroad than in France. Pre-tax profits for the first six months declined by 4.7 per cent to FFr7.988bn, partly under the impact of continuing launch costs for the group's two executive cars, the Peugeot 605 and the Citröen XM.

Mr Calvet said that total vehicle production in 1990 should increase slightly to 2.25m from 2.216m in 1989 and 2.08m in 1988.

Peugeot expected to increase its share of total western European car sales to more than 13 per cent in 1990 from 12.7 per cent in 1989. This year total group vehicle sales should exceed 2.25m compared with 2.2m last year.

In the first six months of 1990 vehicle output was 4.5 per cent higher than a year ago at 1.262m including a 6.5 per cent rise in diesel-powered vehicles to 416,000. Peugeot is the world's leading maker of diesel engines with an output last year of 782,000.

Mr Calvet said that demand for cars in the first half in Europe had levelled off but remained firm after five years of uninterrupted growth.

The turnover of the Peugeot division in the first six months rose by 3.7 per cent to FFr49.77bn, while Citröen division sales rose by 8.3 per cent to FFr32.13bn.

Mr Calvet said that the crisis in the Middle East and the ripple effects of rising oil prices would bring greater uncertainty to western economies and vehicle markets where competition was becoming more intense. He said that Peugeot was currently forecasting a slight fall in total western European new car sales this year by some 0.7 per cent from 13.39m in 1989.

The impact of the Gulf crisis could be felt more heavily next year, however, with a further 3 per cent drop in sales or a decline of 4 per cent from 1989.

Peugeot is increasing its capital spending authorisations this year to FFr16bn from FFr14bn in 1989 and FFr12bn in 1988 with higher spending on new model development, modernising plants and increasing capacity.

Citröen will launch a new model range in the first half of next year which will be positioned between its AX supermini and BX family car.

Olivetti executive quits after strategy rift

By Haig Simonian in Frankfurt

MR FRANCO TATO, one of the most senior executives of Italy's Olivetti computers and office equipment group, is leaving the company following a long-running conflict over strategy with Mr Vittorio Cassoni, the group's managing director.

The rift, which follows the resignation earlier this year of Mr Luigi Mercurio as chief executive of the group's Olivetti Systems and Networks (OSN) division, comes at a particularly sensitive time for the company.

Olivetti is struggling to combat the fall in margins and declining demand facing many of the world's computer makers. Last week, it announced a 41 per cent fall in its pre-tax profits to L60.9bn (US$52m) for the first half of this year.

The departure of Mr Tato marks a strong reassertion of control by Mr Cassoni, who earlier this year was obliged to step back from day-to-day management due to serious illness.

According to Olivetti, Mr Tato had been "encouraged to leave the company on account of differences of opinion on strategy and organisation".

Industry sources say that Mr Tato, a tough and opinionated manager who has had a stormy relationship with Olivetti in recent years, wanted to push through a radically different response to the current difficult market circumstances than that favoured by Mr Cassoni.

Although the company declines to comment, Mr Tato's solution may have included unwinding the complex division of business activities into a number of different subsidiaries initiated by Mr Cassoni following his arrival at Olivetti in 1988.

Some analysts suggest that Mr Tato's departure will create a more coherent management structure, concentrating power among a team of executives which is more in tune with Mr Cassoni's strategy.

Mr Tato, who has long-standing links with Mr Carlo De Benedetti, Olivetti's chairman, is being replaced by Mr Ettore Morezzi as chief executive of Olivetti Office, the group's consumer office products subsidiary.

Meanwhile, Mr Giorgio Panattoni is to become chief executive of Olivetti Technologies Group.

The company has also announced changes in the commercial organisation of its Olivetti Systems and Networks (OSN) subsidiary to improve and rationalise its structure.

European operations outside Italy are now being split into two separate operations.

Sasea and Baloise swap Italian insurance stakes

By William Dullforce in Geneva

SASEA, the Geneva-based investment banking group controlled by Mr Florio Fiorini, the Italian financier, and Baloise, the Swiss insurance company, yesterday announced a reshuffling of the holdings in Italian insurance companies which they have accumulated together over the last three years.

By exchanging shareholdings Sasea and Baloise are effectively separating their Italian interests. Baloise will pursue its activities through two small companies, Levante Assicurazioni, Genoa, and Norditalia Assicurazioni, Milan.

Sasea is taking a majority participation in De Angeli-Frua, Milan, now jointly owned, which it intends to use as a holding company for four other Italian insurance concerns. The deals also open the way for the sale of a 30 per cent stake in Compagnia Tirrena di Assicurazioni, Rome, to Milano Assicurazioni and the Amabile and Apuzzo families, which currently control Tirrena. No financial details were disclosed.

De Angeli-Frua has sold to Baloise its 100 per cent stake in Levante, which declared a premium income of L84bn ($71m) in 1989. In July, Baloise secured a majority holding in Norditalia, 1989 premium income L170bn, by buying out Sasea.

In a further step De Angeli-Frua has sold to the Swiss insurer its 20 per cent holding in Tirrena and holdings of 5 per cent in Lloyd Internazionale, 5.5 per cent in Societa Italiana di Assicurazioni and 3.3 per cent in Unione Euro-Americana. The three last concerns are Rome-based subsidiaries of Tirrena. Together the four had a premium income of just over L900bn in 1989.

Baloise is also acquiring the 10 per cent stake in Tirrena owned by Chamotte Unie, Amsterdam, a holding company within the Sasea group. This move is intended merely to simplify the sale of Baloise and Sasea's entire holding in Tirrena. The Swiss group had announced its intention of withdrawing from Tirrena in July.

Swedish financial companies agree deal

By John Burton in Stockholm

THE week-long crisis that affected three of Sweden's leading finance companies appeared to be at an end yesterday after Independent/Infina solved its liquidity problems following the rescue of Nyckeln and Gamlestaden.

Independent/Infina reached an agreement with its two main shareholders, Fermenta and Bilspedition, late on Monday evening, under which the owners pledged to strengthen the finance company's risk capital base SKr2bn through a SKr200m unsecured loan.

A consortium of banks guaranteed that it would provide short-term capital to Independent/Infina.

The finance company will also sell its Finax credit card subsidiary to Wasa Insurance, which will net it a capital gain of SKr200m ($34.9m).

The sale of Finax will reduce the finance company's debt burden by SKr5bn and produce a balance sheet of SKr19bn.

Trading resumed yesterday on the Stockholm bourse for Independent/Infina and its two stockbroking arms, Adepten and Concensus, as well as Fermenta, following their suspension last week.

The crisis, which stemmed from the market's uncertainty over the finance companies' property holdings in the UK and poor economic conditions in Sweden, claimed its first executive casualty yesterday with the resignation of Mr Lars Danielsson as managing director of Nyckeln.

He will return to his previous position as administrative director of the company.

Renault holds 1.2m shares in Volvo

RENAULT, the French carmaker, said it holds 1.281m shares in Volvo, representing 1.64 per cent of the Swedish vehicle group's capital and 0.44 per cent of its voting rights, Reuter reports.

As part of a cross-shareholding pact, Renault said it will buy up to 10 per cent of Volvo.

Saatchi considers restructuring of £212m Euroconvertible issue

By Alice Rawsthorn in London

SAATCHI & SAATCHI, the troubled marketing services company, is considering ways of restructuring its £212m ($398.5m) Euroconvertible preference issue.

Saatchi also hopes to raise capital by shortly completing the sale of McCaffrey & McCall, its US advertising agency. Similarly it is considering moving from its headquarters on London's Berkeley Square to cut central costs.

Mr Robert Louis-Dreyfus, chief executive, said Saatchi was considering "several options" for the Euroconvertible. He hopes to finalise its restructuring within the next 18 months.

Unless the Euroconvertible is restructured Saatchi may have to pay as much as £212m in cash – more than three times its current market capitalisation – when it comes up for redemption in July 1993.

When Mr Louis-Dreyfus first joined Saatchi in January he planned to wait until 1993 before deciding how to redeem the Euroconvertible.

But the advertising industries in Saatchi's main markets – the US, UK and Australia – have since slowed down. Saatchi's share price has also plunged from around 250p at the start of the year to 37½p yesterday. The board is also anxious to end the uncertainty created by the publicity over its financial problems and the fate of the Euroconvertible.

Robert Louis-Dreyfus: Saatchi considering several options

Saatchi is now considering the following options:

- Changing the terms of the Euroconvertible so that it converts at a lower price.
- Deferring the redemption date.
- Issuing a new form of equity to pay off the issue.

The consensus among analysts is that Saatchi will probably choose the last option. However, this could involve significant dilution for its existing ordinary shareholders.

This possibility poses a serious problem for the vendors of KHBB, one of Saatchi's UK agencies, who are due to receive their final earn-out payment of £8m in Saatchi shares early next year. At the current share price the KHBB vendors would emerge with a 12 per cent stake in Saatchi. Given the risk of dilution they are keen to renegotiate the terms of their earn-out. Mr Louis-Dreyfus yesterday said there would be "no change in terms."

Saatchi has also been taking steps to reduce its debt. The level of net debt has already fallen from a peak of £278m to £210m at the year-end on September 30 because of the sale of subsidiaries.

The group hopes to reduce further its debt by selling more subsidiaries.

Sodexho to pull out of Wagons-Lits

By George Graham in Paris

SODEXHO, the French catering group, yesterday announced its intention of performing a graceful withdrawal from Compagnie Internationale des Wagons-Lits, the Franco-Belgian tourism group with which it had tried over the past year to form a partnership.

Sodexho said yesterday that it had failed to achieve the joint venture it had planned in the catering field with Eurest, a Wagons-Lits subsidiary, but that it had now reached an agreement with Wagons-Lits.

This agreement raised the problem of unwinding the cross-shareholdings that link the two groups, and both wanted to achieve this as quickly as possible, the French company said.

Sodexho owns 20.1 per cent of Wagons-Lits, which in turn owns 16 per cent of Sodexho.

The departure of Sodexho, which held 18.6 per cent of Wagons-Lits, had appeared more or less inevitable since June, when Belgium's Bruxelles-Lambert group sold its 26.75 per cent stake in the company to Société Générale de Belgique, the other leading Belgian holding company.

This reshuffle shifted the balance of power from a Sodexho/Bruxelles-Lambert axis to an alliance of Société Générale, Caisse des Dépôts, the French financial institution, and Accor, the leading French hotels group.

A lengthy cohabitation between Sodexho and Accor had never appeared likely. Nevertheless, Sodexho had increased its stake in Wagons-Lits over the summer from 18.6 per cent to 20.1 per cent, in order to be able to consolidate the holding, while Mr Jean-Marc Simon, the new chairman named at Wagons-Lits by Caisse des Dépôts, said as recently as last week that satisfactory working conditions had been established for the catering joint venture between Eurest and Sodexho.

This joint venture is admitted by company officials to have taken only nebulous form, although the two sides are already co-operating on, for example, purchasing. Among the possibilities under consideration, however, is a partial management buy-out of Eurest's French and Italian arms, with both Sodexho and Wagons-Lits remaining as shareholders.

Unravelling the cross-shareholdings may, however, prove difficult in current stock market conditions, since the value of the Wagons-Lits shares held by Sodexho has dropped by 23 per cent over the past two months.

INTERNATIONAL COMPANIES AND FINANCE

Apple plans low-cost Macintosh to lift sales

By Louise Kehoe in San Francisco

APPLE Computer will this month unveil low-cost versions of its Macintosh personal computer in a move to boost its share of the fastest growing segments of market for home and portable computers.

The US company is also believed to be planning a portable model to be launched next year.

John Sculley: emphasised importance of alliances

Reports from Tokyo suggest that Apple is considering an alliance with Sony, under which the Japanese company would manufacture a notebook-style computer on Apple's behalf.

An alliance with Sony would represent a change of direction for Apple, which currently develops and builds all its products.

Sony has long been an important supplier to Apple of computer displays and other components and the companies' executives have close relationships.

Mr John Sculley, Apple chairman, recently in Tokyo for the company's annual meeting, emphasised the growing importance of alliances in the personal computer industry.

"John said that alliances, particularly with Japanese companies, will be important for personal computer manufacturers in the 1990s," an Apple representative reported. He declined to comment on whether Apple was planning an alliance with Sony.

In Tokyo, however, Sony has reportedly confirmed that it is in discussions with Apple, while declining to provide details.

For Apple, which is struggling to regain its momentum in the low-end of the personal computer market, the advantages of sub-contracting the development and manufacture of a portable Macintosh are clear.

Apple spent two years developing its current Portable Macintosh, launched last year, but the product has sold poorly. Critics charge that it is too heavy and expensive compared with laptop computers compatible with International Business Machines versions.

PepsiCo buys 70% of biscuit maker

By Karen Zagor in New York

PEPSICO, the world's second biggest producer of soft drinks, yesterday said it had taken a 70 per cent stake in Empresa Gamesa, a Mexican biscuit maker, for $300m.

The deal, through Sabritas, PepsiCo's Mexican snack food subsidiary, reflects the US company's strategy of expanding its lucrative snack foods business.

Sabritas and Gamesa will have combined annual sales of nearly $1bn. PepsiCo said it would invest more than $200m in its Mexican operations in the next five years. The New York-based company does not expect the acquisition to dilute its earnings.

The market saw the acquisition as positive for PepsiCo, and at midday shares in the company were up $¼ to $25 in active trading. The company has become a favourite of Wall Street, due to its strong earnings record and growth prospects.

"This is the type of business that is not really affected by disposable income and is basically recession-proof," said Mr David Goldman, an analyst at Nomura Securities in New York.

He added: "This is a logical extension of PepsiCo's Mexican operations. Snack foods are the fastest growing part of PepsiCo."

In the second quarter, PepsiCo's profits from its snack food operations rose 12 per cent, excluding one-time items.

"Sabritas' strong distribution system will allow both Gamesa and Sabritas to penetrate new sections of the Mexican snack market, with improved delivery economics and added volume," said Mr Michael Jordan, head of PepsiCo's worldwide food operations.

"Gamesa's highly successful cookie business also perfectly complements our existing leadership position in chips (crisps) and sweet snacks."

Mr Wayne Calloway, PepsiCo's chairman and chief executive, said the investment was PepsiCo's second largest international food acquisition. "We were attracted to this opportunity by Mexico's considerable economic progress and its government's commitment to free market policies."

● Coca-Cola, the world's biggest soft drinks manufacturer, yesterday said it would report "excellent" third-quarter results, thanks to the continued strength of worldwide soft drink earnings and volume.

The Atlanta, Georgia-based company said its third-quarter pre-tax gain of about $52m for its investment in BCI Holdings, from BCI's sale of the Beatrice Company, would be largely offset by about $49m in non-cash charges in the three months, related to Coca-Cola's US soft drink business.

Trygg-Hansa profit slides 49%

By John Burton in Stockholm

TRYGG-HANSA, the Swedish insurance company which was introduced on the Stockholm bourse last year, yesterday reported a 49 per cent drop in operating profits to SKr389m ($68m) for the first eight months of 1990.

On Monday it was revealed that Trygg-Hansa was among a group of investors which had acquired the American-based Home Insurance company, a subsidiary of the AmBase Corporation, in a deal said to be worth $970m.

The Swedish group blamed the sharp fall in profits on losses from its stock and bond portfolio due to high interest rates and a sharp decline on the Stockholm bourse triggered by the Gulf crisis.

Capital losses amounted to SKr140m, compared with a profit of SKr343m during the same period last year. The company's insurance operations, however, reported a 28 per cent increase in earnings to SKr529m.

Insurance payments for damages rose by 14 per cent to nearly SKr3.4bn, primarily reflecting the havoc wrecked by a series of storms in Europe at the beginning of the year. Although the company said its insurance business continued to perform well, it could not make a forecast for the year because of uncertainty on the capital markets.

The results for Trygg-Hansa are better than those recently reported by its chief domestic rival, Skandia, which suffered a 99 per cent drop in operating profits to SKr12m.

Trygg-Hansa president and chief executive officer Mr Björn Sprängare said this week that the US deal formed part of the company's strategy of expanding internationally.

Home Insurance is a New York-based property/casualty insurer reckoned to rank 22nd in terms of net US premiums written.

Investor rights get priority at Bear Stearns

By Karen Zagor in New York

BEAR STEARNS, the Wall Street securities house, has announced plans for a sweeping shareholder rights package before the company's annual shareholder meeting on October 29.

The package, which is subject to shareholder approval, would prohibit greenmail, golden parachutes and poison pills unless these were approved by the shareholders.

About 35 per cent of Bear Stearns stock is in management hands, with about 44 per cent held by institutions.

The move was applauded by the United Shareholders Association. "As far as we are aware, this is the first time that a major publicly-owned company, listed on the New York Stock Exchange, has proposed a package of amendments specifically intended to guarantee that shareholders have a meaningful voice in corporate affairs," said Mr Ralph Whitworth, director of the Washington-based USA.

In March, Coda Energy, a Dallas-based exploration and oil field service company which trades in the secondary market, became the first public company to implement such a comprehensive shareholder rights package.

Mr Alan Greenberg, chairman and chief executive, said: "Our board of directors believes that stockholders should have a significant voice in decisions relating to the ownership and control of the company."

He said the amendments to the company's certificate of incorporation were not in response to any specific attempt or proposal to acquire the company, nor was the company aware of or inviting such proposals.

Bear Stearns has opted out of the Delaware anti-takeover statute.

The firm's management has also volunteered a plan to keep all shareholder voting confidential by using the firm's transfer agent to tabulate proxies and ballots.

Copier group chief to join Philips

By Our Financial Staff

MR HENK BODT, chairman of the executive board of Oce-van der Grinten, the Dutch copier and business systems manufacturer, is to become a member of the group management committee at Philips, the Dutch electronics group.

Mr Bodt's move will take place on December 1. Oce said that Mr J.V.N. Pennings, executive board member, would replace Mr Bodt, who would resign as chairman of the board. Oce has not yet decided who will replace Mr Pennings on the board.

At Philips, Mr Bodt will be responsible for the company's professional divisions.

Mr Bodt worked at Philips from 1956 until 1986 when he resigned to become a member of Oce's board. Mr Bodt was made chairman of Oce in 1987.

In the first half of 1990, Oce's net profit rose 5 per cent to Fl 43.1m on sales up 17 per cent at Fl 1.16bn ($663m).

● Ahold, the Dutch retailer, said that it would propose a two-for-one common share split and would seek to cancel a large block of preferred shares held by a foundation that was an integral part of its defence against a takeover attempt by West Germany's Asko.

The two proposals will be submitted at an extraordinary meeting of shareholders on October 30. Ahold said it would ask that its common shares be split from a Fl 5 par value to Fl 2.50 par value.

The decision to split the shares was taken in line with a proposal by Ahold to list its stocks in the US on the Nasdaq trading system. Ahold is one of the 10 largest supermarket operators in the US and the largest supermarket operator in the Netherlands.

Usinor plans venture with Arbed

By Our Financial Staff

USINOR-SACILOR, the acquisitive French state-owned steelmaker, plans to form a joint venture with Arbed, the biggest Luxembourg steel group, to oversee the marketing of steel beams and related speciality products.

The venture's sales volume will total about 2.4m tonnes annually, Usinor said, dwarfing the 1.7m tonnes of beam sales by British Steel, its chief European competitor.

The joint venture will also co-ordinate beam production by the two partners.

Usinor has steel product production capacity of about 23m tonnes a year, second only to Nippon Steel's 28m tonnes. Usinor has been expanding recently, with purchases of Edgcomb, the biggest US steel trading company, and West Germany's Saarstahl.

Arbed, with BFr222.1bn ($6.9bn) of annual revenue, has co-operated previously with the French group on heavy product fabrication and marketing of steel rails outside Europe. Arbed is 41 per cent-owned by the Luxembourg government. Société Générale de Belgique holds 22 per cent.

In August, Arbed and Cockerill Sambre, Belgium's biggest steelmaker, said they were considering merging a large part of their steelmaking operations to ensure they both had a future in an increasingly competitive European steel market. The companies plan to merge their interests in flat steel products, which are used mainly for producing cars.

Continental Bank makes forecast

CONTINENTAL BANK expects to report third-quarter net income of $35m to $40m, Reuter reports.

A change in the product mix of the bank holding company's business makes comparisons with results in last year's third quarter not valid, the company said.

In the 1990 second quarter, Chicago-based Continental reported a net loss of $57m, including a loss from continuing operations of $46m.

Non-performing assets are expected to decline from the $748m reported at the end of the second quarter to about $720m on September 30.

Non-performing loans to less-developed countries should remain at or near their second-quarter $218m level.

INTERNATIONAL COMPANIES AND FINANCE

FSI hit by worsening S African economy

By Philip Gawith in Johannesburg

THE MIXED results produced by the four operating companies of FSI, the South African industrial conglomerate, in the six months to June reflect the deteriorating economic environment and the punitive impact of carrying debt when interest rates are high.

Finance charges for the four companies were in all cases at least 50 per cent higher than in the same period last year and 113 per cent in the case of W&A Investment Corporation. Mr Jeff Liebesman, chief executive, said the high charges reflected higher interest rates and borrowings associated with acquisitions.

W&A is the vehicle in terms of a recently announced restructuring which will become the holding company for FSI's worldwide interests. Despite the high finance bill, W&A managed the best performance in the group. Turnover increased to R1.24bn ($482m) from R1.03bn and operating profit was 26.9 per cent up at R145.7m. Attributable profits were 6.7 per cent up at R31.5m.

FSI, Hunts and Waicor all showed increased operating profits, but FSI's attributable profit was unchanged at R31.3m while Hunts and Teamcor saw attributable profit decline respectively by 4.7 per cent to R26.2m, and 23.5 per cent to R15.4m.

Mr Liebesman said the results were "satisfactory under the deteriorating economic conditions that existed in the first half of the year." He added: "We are confident that our strategy of focusing on improving efficiencies and operating margins, combined with ongoing attention to asset management, is right for these times.

"The operating companies are producing acceptable profits under today's unstable trading conditions and high interest rates and will benefit immediately from any improvement in demand or easing of interest rates."

Mr Liebesman said the group anticipated significant benefits from the restructuring which removes some intermediate holding companies, refines the group's financial structure and increases W&A's interests through the acquisition of FSI's scaffolding businesses and other interests.

W&A's earnings per share were 6.6 per cent higher at 41.9 cents per share and the dividend was raised to 15.5 cents per share from 12 cents.

Challenging times ahead for Unisys

Louise Kehoe on the US company's attempts to regain profitability

Mr James Unruh, president of Unisys, the $10bn US computer and defence group, is not losing any sleep over Wall Street's swingeing response to his decision, last week, to suspend payment of shareholder dividends.

With Unisys' stock price languishing at an all-time low of $5, the potential for a takeover bid is naturally a matter for speculation.

"I don't worry about it," Mr Unruh claimed. "If you did not want the company to be acquired, what would you do? You would fix it up. If you were looking for a takeover bid, what would you do? You would fix it up. Either way I know what I have to do."

Fixing up Unisys will not, however, be easy. The company suffered losses of $639m in 1989, and has lost $45m so far this year.

With third-quarter losses also anticipated, Mr Unruh has stopped promising profits for the year as a whole, although he still looks for a stronger fourth quarter.

Formed four years ago as the result of the merger of Sperry and Burroughs, two large second-tier computer manufacturers, Unisys started life with grand ambitions. Mr Michael Blumenthal, Unisys chairman and former president, aimed to build Unisys into an industry giant rivalling $50bn International Business Machines.

His successor, Mr Unruh, is more pragmatic.

"Remaining one of the top five [computer companies] is adequate to be a world player," he said. "I don't focus on growth. I must improve the financial performance of the company, then I will worry about growth."

By his own admission, 1989 was a disaster for the company. An important mainframe product was seriously delayed, US computer sales stagnated and, to top it all, Unisys' defence division was charged with misdeeds that led to its suspension as a US Defence Department supplier for three months.

So far 1990 has been better, but has not lived up to expectations. "We have made progress, but I am disappointed. We had hoped that the economic environment might have been more hospitable," said Mr Unruh.

He faces several challenges. A former financial executive, his primary focus is upon the bottom line. In contrast with his counterparts at most US computer companies, he approaches the task of improving his company's financial health with little apparent emotion.

Regaining profitability is his top goal, but he is also determined to reduce the heavy $3.6bn debt load that has hung over the company since its merger.

By selling closed manufacturing plants and reducing inventories, and by last week's action to suspend dividend payments, Mr Unruh expects to reduce the debt by $600m to $800m this year, and at least that much next year.

That will require asset sales, he acknowledges, as well as further cuts. Jobs will be axed and although he will not be specific, it seems he is contemplating a significant divestment.

Industry analysts have speculated that Unisys might sell its Japanese operations, or divest Timeplex, a networking company it acquired several years ago.

Mr Unruh sees little prospect for growth in the company's defence operations, and said that he would continue to run this part of the company "for financial performance", making cuts wherever necessary.

Unisys has reduced to a trickle its defence-related research and development spending and the division is now operating at a profit, Mr Unruh says.

Despite the difficulties, Mr Unruh remains convinced that

James Unruh: 1989 was a disaster for the company

the merger was "the right thing to do to boost the economic strength of the company and give it the advantages of scale".

The company's problems were not caused by the merger, he maintains. Rather, he sees it as a victim of slowing markets and competitive pressures.

Even Mr Unruh admits, however, that the timing of the combination of Sperry and Burroughs might have been better. "We have had to integrate the two companies at the same time that we are dealing with an industry transformation [to open systems]," he said. The merger "would have been much better five years earlier".

Open systems have "altered the cost structure of the entire industry", he observed.

"You cannot sell a standard 'box' in the same way that you sell a proprietary system."

Like other leading computer companies, Unisys expects a greater portion of its revenues to come from software and services and already regards independent "systems integrators", who put together turnkey systems for businesses, as prime competitors.

Unisys plans to focus on specific market sectors where it can offer value-added services and software. Among its favourites are airlines and banks.

One of the most urgent tasks facing it is to draw its disparate collection of computer products, inherited from Sperry and Burroughs, into a cohesive product line.

Unisys is also adapting to an industry-wide trend towards standards-based computer systems and away from proprietary systems.

This week it laid out its "road map" for how its current and future products will work together and with those from other vendors in the 1990s. In common with its competitors, Unisys is emphasising standards.

The company aims, however, to build bridges between open standards and existing proprietary products. "Open standards will be the glue between proprietary systems and Unix," Mr Unruh said.

Despite claims to the contrary, Unisys' vision of the future is not altogether different from that of its leading competitors. Digital Equipment, NCR and Hewlett-Packard have all enunciated similar strategies.

Unisys is at pains, however, to differentiate its plans. "A distributed, multi-vendor philosophy is implicit in the design," Mr Unruh said. "It is an information network rather than product-based architecture."

Unisys is, however, determined to find ways to "build value-added capabilities on top of standards", to differentiate its products. It also puts a stronger emphasis than most upon the ability to link computers manufactured by different companies.

Missing from its announcement this week, however, were significant implementations of the Unisys architecture. Unisys said it would introduce "a steady stream of products this year and next as part of the architecture initiative".

Bell Resources in A$1bn loss as Bond deal sealed

BELL Resources, the Australian resources group 58 per cent owned by the troubled Bond Corporation, said late yesterday that it had completed the purchase of Bond Corp's Australian brewing business, and set up its joint venture with Lion Nathan, the New Zealand brewing group, Reuter reports from Perth.

Bell Resources said it would change the name of the brewing assets to National Brewing Holdings Ltd as soon as possible.

Before completion of the deal was announced, Bell Resources unveiled a sharp rise in net losses for the year to June to A$1.09bn (US$908m), up from a losses of A$306.15m previously. This mainly reflected write-downs on investments, including one for a deposit on its – what was at the time uncompleted – acquisition of Bond Corp's brewing assets.

Mr Geoff Hill, Bell Resource's chairman said: "The overall loss for the year is attributed to the significant provisions, which in the opinion of the directors were required to be made against the book values of investments and debt due to the group."

After total provisions of A$1.07bn, the written down value of the investments is A$337.4m, Mr Hill said. The result left Bell Resources with net asset backing of 7 cents a share, compared with A$1.88 the year before.

Mr Hill said the Australian Stock Exchange had refused Bell Resources' request to delay lodging the results to allow inclusion of the brewery acquisition and its then proposed joint venture with Lion Nathan.

"In the opinion of the directors, the results are likely to improve through reassessment of asset values on completion of the brewing transaction," Mr Hill said. An amended statement would be provided to the stock exchange following completion of the brewing deal.

Bell Resources sales fell 33.1 per cent to A$804.47m from A$1.2bn. Other revenue, which fell 79.4 per cent to A$61.28m, included A$42.8m of interest income owed by Bond Corp related companies.

News Corp 'cannot explain' sharp fall in share price

By Kevin Brown in Sydney

NEWS CORPORATION, the Adelaide-based international media group, yesterday told the Australian Stock Exchange it could not explain recent sharp falls in its share price.

The group was responding to a query from the exchange following a fall last week in the share price to A$6.50 from A$8.84. The shares moved up 60 cents to A$7.10 in a rising local market yesterday, to stand at just less than half their high for the year.

Analysts say the market is concerned about News Corporation's short-term debt of A$2.95bn (US$2.45bn) and the ability of the group to generate sufficient earnings to reduce it.

Mr Keith Brodie, company secretary, said the News Corporation board was not in possession of information which could explain the price fall, and was "unable to offer any explanation". He added that the board was unaware of any market-sensitive information which was not available to the market. But, he appeared to indicate that News Corporation might make a significant announcement soon. Asked by the exchange whether there were "matters of importance that the company is about to announce," Mr Brodie said: "There are not matters of a negative nature."

Mr Rupert Murdoch, News Corporation chairman, indicated in New York last week that the group was discussing the rescheduling of its short-term debt, which he said was too high.

Wing Tai profits halved

By Joyce Quek in Singapore

WING TAI Holdings, the Singapore garment-manufacturing-to-property-development group, yesterday posted interim profits halved by higher interest expenses.

It also revealed that the results could have been far worse but for a change in accounting policies.

However, the directors expect the group's performance in the year to be maintained at a satisfactory level, the Gulf crisis notwithstanding.

Though group turnover for the six months to June rose 8 per cent to S$182.2m (US$104m), pre-tax profits and attributable profits were halved to S$16.9m and S$9.5m respectively. Earnings per share fell 6.9 cents to 5.4 cents this June but the net tangible assets per share rose from 70 cents to S$2.

Wing Tai's directors attributed the poor showing to a S$22.4m profit booked for completion of a property in 1989 that had not been repeated this year and to interest expenses on financing acquisition of investment properties not being matched by increases in rental income.

Associates' contributions fell 42 per cent to S$3.4m in June. A first and final dividend of 16 cents is payable on 15 January.

INTERNATIONAL CAPITAL MARKETS

Treasuries gain ground despite oil price rally

By Karen Zagor in New York and Deborah Hargreaves in London

US Treasuries continued to trace the movement of oil prices yesterday morning, with the long bond opening on a strong note, thanks to a sharp decline in oil, before giving up some of its gains as oil prices recovered.

Early morning bond prices were also supported by the 11 per cent rise in the Nikkei stock average.

The Treasury's bellwether 30-year bond gained ⅜ at the start of trading, but by mid-session had fallen back somewhat, rising ⅛ point at 99¼ to yield 8.83 per cent.

Short-dated maturities gained about ⅛ point.

The Federal Reserve added liquidity to the system by arranging overnight system repurchase agreements when Fed funds were trading at 8⅛ per cent.

Although the move was more aggressive than expected, it was seen as a response to the firmness of Fed funds rather than a sign of an easing of monetary policy.

Although the market will continue to keep a close eye on the Fed's open market operations for indications of a change in policy, it is generally believed that the Fed will wait for Congressional approval of the budget deficit reduction package before making any policy decisions.

Oil prices continue to be the main impetus behind bond market movements yesterday morning.

November crude eased $1.29 to $35.80 a barrel at the start of trading in response to easing tensions in the Gulf and to reports that OPEC has increased oil output, led by Saudi Arabia.

But by mid-day, November crude was quoted down 89 cents at $36.20.

■THE WEST German government bond market staged a rally yesterday when cash market prices rose 65 pfennigs at the fixing of the 8¾ per cent 10-year bond to 96.98 offering a yield of 9 per cent.

The firmer tone in the market prompted the government to announce it would set the terms for its next issue of bunds on Monday.

The slight recovery in the market over the last two days means the government could get away with a coupon of around 9 per cent on its next issue for which it is likely to auction DM6bn to DM8bn.

However, although the market has appeared firmer, commentators say there is a lack of confidence among investors that the German market can absorb much more paper.

The government is expected to issue a new bund every month until the end of the year in a bid to cover the rising costs of unification.

The German market has performed better than most other government bond markets in the past month, but this has left the German banks holding much of the paper since foreign investors have largely sold out of the market.

The market's performance will also limit its upside this week as other leading markets experience a surge in prices.

In London, futures prices rose rapidly to a level of 81.25 yesterday after a close on Monday of 80.98, but after rising further, the market closed at around 81.24.

German financial markets are closed today for the unification of the two Germanys.

■IN JAPAN, government bonds followed the strong rise in equity market prices as the market experienced a short squeeze.

The yield for the benchmark 119 bond dropped to a low of 8.16 per cent at one point, but only held this level for a few seconds.

After that, at the open of the London market, there was a general realisation that the price rise had been overdone and yields moved up again to 8.25 per cent.

Nevertheless, this is the strongest point the market has reached since the end of August.

Japanese investors were cheered by the drop in oil prices and a brief rumour that Iraq would pull out of Kuwait.

■GILT-EDGED securities in the UK also saw a better day after moving substantially higher at the opening of the market in a reaction to stronger prices for US Treasury bonds which had moved up overnight.

However, the market lost a bit of its advance later in the day when the price for a 11¾ per cent benchmark bond maturing in 2003/07 was ⅛ higher at 100⅛ offering a yield of 11.71 per cent.

■THE Swiss government has cancelled a bond issue of around SFr250m, originally pencilled in for launch on October 11, the Swiss Finance Ministry said.

"We have the flexibility to cancel bond issues should we choose to," it said.

"We are of the opinion that we are not far from a peak in interest rates, and so we would prefer to finance short-term rather than long-term."

GOVERNMENT BONDS

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	09/92	101-21	+03/32	12.52	12.57	12.36
		9.000	03/00	84-18	+03/32	11.75	11.77	11.70
		9.000	10/08	83-21	+04/32	11.11	11.16	11.11
US TREASURY *		8.750	08/00	100-10	+07/32	8.70	9.00	8.86
		8.750	08/20	99-03	+07/32	8.83	9.14	8.98
JAPAN	No 119	4.800	6/99	82.5235	+0.894	8.24	8.65	8.09
	No 129	6.400	03/00	92.2748	+1.191	7.82	8.18	7.68
GERMANY		8.500	08/00	96.7500	+0.410	9.00	9.10	8.93
FRANCE	BTAN	9.000	11/95	94.8217	+0.282	10.31	10.52	10.31
	OAT	8.500	03/00	88.3800	+0.340	10.47	10.68	10.26
CANADA *		10.500	07/00	96.8000	+0.850	11.04	11.45	10.75
NETHERLANDS		9.000	07/00	98.6300	+0.280	9.23	9.28	8.95
AUSTRALIA		13.000	07/00	97.2739	+0.157	13.50	13.70	13.50

London closing, *denotes New York morning session
Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 6:10 pm on October 2

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY NATIONAL 8 7/8 93	150	99¾	100¼	+⅛	8.95
ALBERTA PROVINCE 9 3/8 95	600	101	101½	+⅛	9.11
AUSTRIA 8 1/2 00	400	94¼	94⅝	+⅛	9.44
BANK OF TOKYO 8 3/8 96	100	95¼	95⅝	+⅛	9.50
BELGIUM 9 1/8 92	400	100¾	101¼		8.61
BFCE 7 3/4 97	150	93	93½	+⅛	9.22
BNP 8 5/8 94	300	98¾	99¼	+⅛	8.97
BP CAPITAL 9 5/8 93	150	101⅝	102⅛	+⅛	8.89
CANADA 9 96	1000	100⅜	100⅝	+⅛	8.89
CARCO 9 1/4 96	658	98¾	99¼	+⅛	9.50
CCCE 9 1/4 95	300	100⅞	101⅜	+⅛	8.97
COUNCIL EUROPE 8 96	100	94⅞	95⅜	+⅛	9.16
CREDIT FONCIER 9 1/2 99	300	100⅛	100⅝	+⅛	9.46
DENMARK 0 98	250	49	49⅜	+⅛	9.52
DENMARK 8 1/4 94	150	97⅝	98	+⅛	8.99
ECSC 8 1/4 96	193	95⅞	96⅜	+⅛	9.14
EEC 7 1/4 93	250	97	97⅜		8.64
EIB 7 3/4 96	250	94⅛	94⅝	+⅛	9.09
EIB 10 97	250	103⅝	104	+⅛	9.21
ELEC DE FRANCE 9 98	200	99⅜	99¾	+⅛	9.10
EUROFIMA 9 1/4 96	100	100⅝	101	+⅛	9.14
EXPORT DEV CORP 9 1/2 98	150	100⅜	101⅛	+⅛	9.35
FINLAND 7 7/8 97	200	92⅝	93⅛	+⅛	9.46
FINNISH EXPORT 9 3/8 95	200	101	101⅜	+⅛	9.11
FORD MOTOR CREDIT 9 1/2 93	300	100½	101	+⅛	9.30
GEN ELEC CAPITAL 9 3/8 96	300	100⅛	100⅜	+⅛	9.27
GMAC 9 1/8 96	200	98⅛	98⅝	+⅛	9.56
HALIFAX 9 1/2 93	200	101¼	101¾	+⅛	8.93
IBM WORLD TRADE 7 5/8 93	150	96⅛	96⅝	+⅛	9.09
IND BK JAPAN FIN 7 7/8 97	200	91⅝	92⅛	+⅛	9.64
INTER AMER DEV 7 5/8 96	200	92⅞	93⅛	+⅛	9.23
ITALY 8 1/2 94	1500	98⅜	98⅝	+⅛	8.91
JAPAN DEV BK 8 94	150	97⅛	97⅝	+⅛	8.94
KANSAI ELEC PWR 10 96	350	102⅛	102⅝	+⅛	9.46
LTCB 8 5/8 93	150	99	99½	+⅛	9.06
NEW ZEALAND 8 93	100	98⅛	98⅝	+⅛	8.78
NIPPON CRED BK 9 3/4 93	150	101⅛	101⅝	+⅛	9.20
NIPPON TEL & TEL 9 3/8 95	200	101⅜	101⅞	+⅛	8.96
NORDIC INV BANK 9 93	200	100⅞	101⅜	+⅛	8.60
OLYMPIA & YORK 8 1/4 96	435	89	90	+3	10.91
ONTARIO HYDRO 11 5/8 94	200	104½	105	−2⅛	9.94
OSTER KONTROLLBANK 8 1/8 93	200	98⅞	99¼	+⅛	8.61
PRUDENTIAL RLTY SECS 0 99	365.216	46⅝	47⅛	+⅛	9.65
QUEBEC HYDRO 9 3/4 98	150	100⅝	101⅛	+⅛	9.63
QUEBEC PROV 9 98	200	97⅛	97⅝	+⅛	9.53
SAINSBURY 9 1/8 96	150	98⅞	99⅛	+⅛	9.41
SAS 10 99	200	100	101	+⅛	9.98
SBAB 9 1/2 95	500	101⅛	101⅝	+⅛	9.10
STATE BK STH AUST 9 1/4 93	300	100⅝	101⅛	+⅛	8.90
SUMITOMO BK CAP MKT 9 3/8 93	150	100⅞	101⅜	+⅛	9.02
SWEDEN 8 1/8 94	150	97⅞	98⅛	+⅛	8.96
SWEDISH EXPORT 9 5/8 93	100	102	102⅜	+⅛	8.62
TOKYO METROPOLIS 8 1/4 96	200	95⅞	96⅛	+⅛	9.21
WORLD BANK 8 3/8 99	1500	95⅛	95⅝	+⅛	9.35
WORLD BANK 8 3/4 97	1500	98⅝	99	+⅛	9.18
XEROX CORPN 8 3/8 96	100	93⅞	94⅛	+⅛	9.95

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ASIAN DEV BANK 8 94	200	96½	96¾		9.09
AUSTRIA 6 98	400	82⅛	82⅝	+⅛	9.34
CNT 6 1/8 98	200	82⅜	82⅞		9.33
CREDIT FONCIER 6 3/4 99	500	85⅛	85⅝	+⅛	9.33
DEUTSCHE BK FIN 5 5/8 96	750	84⅛	84⅝		9.32
EEC 5 3/8 93	300	92⅛	92⅝	+⅛	9.18
EIB 6 1/8 96	300	86⅛	86⅝	+⅛	9.34
EIB 6 7/8 95	300	90⅛	90⅝	+⅛	9.25
EUROFIMA 6 1/4 98	400	83⅛	83⅝	−⅛	9.36
FELDMUEHLE FINANCE 8 99	200	91⅛	91⅝	−⅛	9.45
FERRO DEL STAT 5 3/8 93	500	92⅛	92⅝		9.00
IND BK JAPAN FIN 5 5/8 96	200	84⅛	84⅝	+⅛	9.34
INTER AMER DEV 7 1/4 99	300	88⅛	88⅝	−½	9.24
LUFTHANSA INT FIN 5 7/8 98	500	81⅛	81⅝		9.36
QUEBEC HYDRO 6 3/4 99	300	84⅛	84⅝	−1	9.42
SWEDEN 6 1/8 98	300	83⅛	83⅝		9.28
WORLD BANK 0 15	2000	12⅛	12⅝	+⅛	8.51
WORLD BANK 5 3/4 96	300	85	85	+⅛	9.37
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
COUNCIL EUROPE 7 94 LFr	600	91¼	92¼		9.96
KREDIETCORP 7 93 LFr	1000	92¾	93¾	−⅛	10.03
WORLD BANK 8 96 LFr	1000	92½	93½		9.79
AMRO BANK 6 1/4 92 Fl	150	94¾	95¼	+⅛	9.50
RABOBANK 5 3/4 93 Fl	150	92	92½	−⅛	9.59
ALBERTA PROVINCE 10 92 C$	500	97⅛	97⅝	+⅛	11.82
BCE INC 9 5/8 93 C$	300	94⅜	94⅞	+⅛	12.24
BELL CANADA 10 5/8 99 C$	150	91⅞	92⅛	+⅛	12.16
BRITISH COLUMBIA 9 1/4 95 C$	150	94⅛	94⅝	+⅛	12.07
EIB 10 1/8 98 C$	130	91⅞	92⅛	+⅛	11.80
FORD CREDIT CANADA 10 94 C$	100	93½	94	+⅛	12.19
GENERAL ELECT CAP 10 1/4 93 C$	175	96⅛	96⅝	+⅛	11.86
MONTREAL TRUSTCO 8 1/2 92 C$	100	93⅞	94⅜	+⅛	13.00
ONTARIO HYDRO 10 7/8 99 C$	500	93⅞	94⅛	+½	12.04
QUEBEC PROV 10 1/2 98 C$	200	91⅛	91⅝	+⅛	12.24
ROYAL TRUSTCO 10 1/4 93 C$	100	94⅞	95⅜	+⅛	12.58
SWEDEN 9 3/4 93 C$	250	95⅛	95⅝	+⅛	11.86
AUSTRIA 7 3/8 93 Ecu	125	92⅞	93⅜	+⅛	10.74
CNT 7 3/8 93 Ecu	250	91¾	92¼	−⅛	11.23
DENMARK 7 5/8 96 Ecu	250	87⅛	87⅝	+⅛	10.77
EEC 7 5/8 94 Ecu	200	91½	92	+⅛	10.71
EIB 10 97 Ecu	1125	97⅛	97½	+⅛	10.56
ITALY 10 3/4 00 Ecu	1000	100⅛	100½	+⅛	10.68
SWEDEN 7 1/2 93 Ecu	250	91	91½	−½	11.05
BMW FINANCE 14 1/2 92 A$	100	100⅞	101⅜		13.66
COUNCIL EUROPE 13 93 A$	50	99⅛	99⅝	−⅛	13.28
EKSPORTFINANS 12 3/8 95 A$	75	98⅛	98⅝		12.85
FORD CRED AUST 13 93 A$	50	97⅞	98⅜	+⅛	14.05
ICI 15 1/2 92 A$	100	101⅞	102⅛		14.09
MCDONALDS CANADA 15 95 A$	100	103	103½	+⅛	14.03
NAT AUSTRALIA BANK 14 3/4 94 A$	150	102⅛	102⅝	+⅛	13.78
STATE BK NSW 14 1/4 99 A$	100	99⅞	100⅜	+⅛	14.27
VOLKSWAGEN INTL 15 94 A$	100	103	103½	+⅛	13.79
ABBEY NATL TREAS 13 3/8 95 £	100	100	100½		13.31
BARCLAYS JERSEY 9 1/2 93 £	250	91⅞	92¼		13.45
BRITISH GAS 12 3/4 95 £	150	99⅝	100⅛		12.77
DEUTSCHE BK FIN 11 94 £	225	94⅝	95		13.05
EIB 10 97 £	300	87⅝	88⅛		12.95
FORD CREDIT FUNDING 9 5/8 93 £	50	91¼	91¾	+⅛	13.88
INTER AMER DEV 11 3/8 95 £	75	95⅜	95⅞		12.71
ITALY 10 1/2 14 £	400	85⅛	85½	+⅛	12.44
LAND SECS 9 1/2 07 £	200	72⅞	73⅜	+⅛	13.72
LEEDS PERMANENT 9 1/4 93 £	50	90⅛	90⅝	−⅛	13.82
NORWAY 10 1/2 94 £	200	93⅛	93⅝	+⅛	13.00
ROLLS-ROYCE 9 5/8 93 £	150	91	91½	+⅛	13.72
SAINSBURY 10 7/8 93 £	100	94⅞	95⅜	+⅛	13.72
SKANDINAVISKA ENSK 13 1/8 95 £	100	99⅝	100	+⅛	13.30
WORLD BANK 11 1/4 95 £	100	95⅛	95⅝	+⅛	12.62
ABBEY NATIONAL 0 96 NZ$	100	45⅞	46⅜		14.12
TELECOM NZ O/S FIN 13 1/8 93 NZ$	75	100	101		13.11
AIDC 7 7/8 93 FFr	600	92⅜	92⅞	+⅛	11.00
CREDIT LYONNAIS 10 95 FFr	2000	96⅜	96⅞	+⅛	11.00
EURATOM 7 5/8 98 FFr	500	82⅞	83⅜	+⅛	11.01

FLOATING RATE NOTES	Issued	Bid	Offer	C.cpn
ABBEY NATIONAL 1/16 00 £	150	99.94	100.04	15.0000
ALBERTA PROVINCE 1/32 93	500	99.95	100.05	8.4063
ALLIANCE & LEICS 0.08 94 £	300	99.89	99.94	15.0800
BANCO ROMA 0.03 01	200	93.25	94.25	8.4675
BANCO SANTO SPIRITO 93	200	99.49	99.59	8.4375
BELGIUM 1/16 97 DM	500	99.96	100.07	8.8125
BFCE −0.02 96	350	99.70	99.80	8.4175
BNP 05	300	98.05	98.26	8.0000
BRITANNIA 1/10 96 £	150	99.90	99.95	15.1000
CITICORP 1/4 98	500	88.50	91.00	8.3125
CITIZENS FED 0.15 96	100	99.50	99.84	8.2125
COMMERZBK O/S FIN 93	200	99.49	99.60	7.9375
DENMARK −1/8 96	1000	98.93	99.03	8.0000
FERRO DEL STAT 94	200	100.07	100.17	8.2500
HALIFAX 1/10 94 £	200	100.01	100.06	15.1000
MITSUI FIN ASIA 1/8 96	100	99.93	100.03	8.1875
MORGAN (JP) 1/4 97	250	98.53	99.04	8.5000
NAT WEST FIN 3/16 05	400	94.88	95.88	8.8125
NEW ZEALAND 93	500	99.41	99.51	8.0625
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS	Issued	Cnv. price	Bid	Offer	Prem.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* No information available - previous day's price
† Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.

FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate for US dollars. C.cpn=The current coupon.

CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

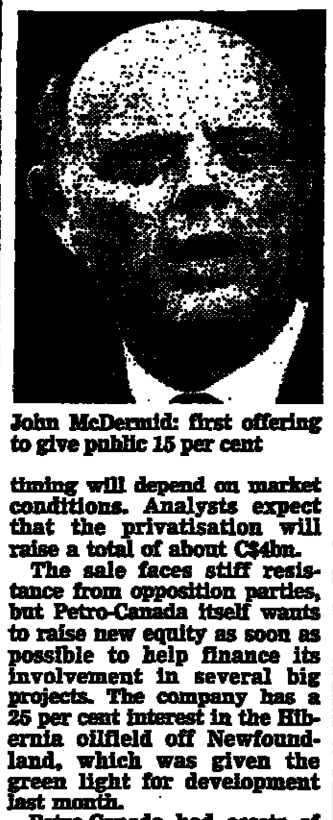
Canadian state energy group to be sold off

By Bernard Simon in Toronto

THE Canadian government has put the wheels in motion for its biggest-ever privatisation by tabling legislation in parliament for the sale of energy producer Petro-Canada.

Mr John McDermid, privatisation minister, said an initial share offering will give the public a 15 per cent stake in the company. Further tranches will follow. Foreign ownership will be limited to 25 per cent, with no one single shareholder allowed to own more than 10 per cent.

Mr McDermid said that the first tranche of shares is unlikely to be offered before early next year. The precise timing will depend on market conditions. Analysts expect that the privatisation will raise a total of about C$4bn.



John McDermid: first offering to give public 15 per cent

The sale faces stiff resistance from opposition parties, but Petro-Canada itself wants to raise new equity as soon as possible to help finance its involvement in several big projects. The company has a 25 per cent interest in the Hibernia oilfield off Newfoundland, which was given the green light for development last month.

Petro-Canada had assets of C$8.8bn at the end of last year. Besides oil and gas production, it operates 3,300 service stations.

The Conservative government has privatised over 20 Crown corporations since it took office in 1984. Earlier sell-offs include Air Canada and two aircraft manufacturers, Canadair and de Havilland.

Trades on Simex rise by 30%

TRADING volume at the Singapore International Monetary Exchange (Simex) rose by 30 per cent to 1.7m contracts in the third quarter of 1990, compared with third-quarter of 1989, Reuter reports from Singapore.

The rise in volume was attributed to increased activity in Nikkei Stock Average futures and Euroyen interest rate futures.

"Uncertainty in global financial and energy markets has led to increased volatility, particularly in Nikkei futures. Active trading in Euroyen futures also boosted volume," Simex said.

Trading in Nikkei index futures grew by 46 per cent to 290,640 contracts in the quarter. Euroyen futures, launched last October, traded 252,376 contracts compared with 168,788 in fourth quarter of 1989.

● September volume on on Matif, the French futures and options exchange, was below the record August level, but still up 6.3 per cent on September 1989, Reuter reports from Paris.

A total of 2.31m lots was traded, against 3.19m in August. Volume on French government bond futures was almost 1.3m lots against 1.78m. Options volume on the bond futures came to 588,549 against 872,091.

Norwegian bank plans to close Tokyo office

DEN Norske Bank, Norway's largest commercial bank, is closing its representative office in Tokyo, AP-DJ reports from Tokyo.

"The main reason is that what we expect of future revenues or future income does not justify the costs of keeping open the office," the bank said. "That doesn't mean we wouldn't stay close in contact with Japanese financial markets," it added.

The foreign exchange and fund procuring business formerly managed in Tokyo will be handled directly from Norway.

The Tokyo office has a staff of three.

Activities have already begun to be cut back.

INTERNATIONAL CAPITAL MARKETS

EIB taps matador market with Pta10bn offering

By Simon London

AGAINST a background of renewed strength in world stock and bond markets, the European Investment Bank reopened issuance in the Spanish "matador" market with a Pta10bn, five-year issue via Banco Espanol de Credito.

The matador market was closed in July, when the Bank of Spain attempted to take the heat out of a strong peseta by restricting capital inflows, including acquisition of peseta-denominated bonds.

The peseta has depreciated by 2.5 per cent against the D-Mark since July and last week the authorities indicated a willingness to reopen the market.

The EIB is one of the few potential issuers with a need for unswapped peseta borrowings and the current thin swaps market may restrict the number of new issues from corporate borrowers. However, sources close to the market are expecting another big deal to be launched before the end of the month.

Pent-up demand for peseta paper ensured that the EIB deal performed well in the market, with interest from a broad range of European fund managers.

There was special interest from Italian investors, who *benefit from tax advantages* when investing in paper from some supranational borrowers.

Launched at 101, the paper was reported to be trading at less ⅛ bid, well within full fees of 1⅞.

At that level the yield is 14.20 per cent, against a yield of 14.10 per cent on the World Bank five-year matador issue.

Another notable feature yesterday was the Euromarket debut *of a new triple-A rated borrower in Energie Beheer* Nederland, the Dutch state-owned oil and gas company. EBN chose to launch a $300m five-year issue through Morgan Stanley, offering a coupon of 9 per cent.

Interest came from fund managers in the UK and continental Europe and the lead manager reported the issue sold out by mid-afternoon. Trading at the fixed re-offer price of 99¾, the issue was yielding 51.8 basis points over equivalent Treasury paper, in line with other sovereign-backed issues in the sector.

INTERNATIONAL BONDS

A contrasting deal from an energy-related borrower in the dollar sector came from Clyde Petroleum, the quoted UK oil producer. The $100m 12-year issue of senior loan notes through Kleinwort Benson was privately placed with a small number of US institutions. Structured for the institutions before the Gulf crisis erupted, the paper was issued around par and carries a coupon of 10.19 per cent.

The appetite of certain Japanese investors for paper linked *to the yen/Australian dollar* exchange rate was underlined with the launch of another Y3bn currency–linked deal from Skopbank, the Finnish financial institution, via Kankaku (formerly NKK). The issue follows a Y5bn deal launched two weeks ago by the same borrower on similar terms. Both were placed with Japanese institutional investors and secondary market vol*ume is expected to be thin.*

The 2676 point rise in the Nikkei stock market index overnight encouraged the launch of two dollar-denominated equity-warrant deals from Japanese borrowers. Shinko Electric issued $110m of equity-linked paper through Nomura with an indicated coupon of 5¼ per cent. A lesser known name in the sector, Neturen, launched a $50m warrant issue through Daiwa with *an indicated coupon of 5½ per* cent.

● Spintab/Swedmortgage, the Swedish mortgage company, has issued $50m of subordinated floating-rate notes through S.G. Warburg. The paper was placed with a syndicate of Japanese investors.

● Bond Investors Association said that 17 corporate bond issuers defaulted on $3.6bn in the third quarter, Reuter reports from New York.

Bond Investors said defaults for the year totalled $15.8bn, representing an 80 per cent increase over the first three quarters of 1989. It said this year's tally almost equalled the default amounts for the entire two previous years.

The association said that the growing default rate reflected both the explosive growth in junk bond volume since 1985 and the poor credit quality of the outstanding issues.

"The fact that defaults are running at almost twice this rate can be directly attributed to the poorer debt quality and the closing of the junk bond market to new issues of such low quality," said Mr Richard Lehmann, president of Bond Investors.

Bond Investors said that municipal bond defaults for the first nine months totalled $739.6m.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Energie Beheer Ned'land(a)◆	300	9	99¾	1995	¼/⅛	Morgan Stanley Int.
Shinko Electric(a)♦	110	(5¼)	100	1994	2¼/1½	Nomura Int.
Neturen Co.(a)♦	50	5½	100	1994	2¼/1½	Daiwa Europe
PESETAS						
EIB(d)◆	10bn	14.35	101	1995	1⅞/1	Banesto
LIRE						
Export Devt.Corp Canada(a)◆	150bn	12¾	101¼	1993	1⅝	I.Bancario S'Paolo
YEN						
Okobank(b)★★◆	18bn	(b)	100¼	2000	-	Bk of Tokyo Cap.Mkts
Skopbank(c)◆	3bn	(c)	91⅞	1999	1⅞/1⅛	Kankaku Europe

★★Private placement. §Convertible. ♦With equity warrants. †Floating rate note. ◆Final terms. a) Non-callable. b) Coupon pays Libor plus ⅛% for first 3 months, then fixed at 8.05% thereafter. c) Currency-linked issue. Coupon pays 25bp over Yen deposit rate for first 3 months, then linked to Yen/Australian dollar rate thereafter. Non-callable. d) Matador issue. Non-callable.

Hafnia in offer for shares in rival insurer

By Hilary Barnes in Copenhagen

HAFNIA, the Danish insurance and financial services group, has made an offer which could give it effective control of rival insurance company Baltica Holding.

In a letter published by the Copenhagen Stock Exchange, Hafnia has offered to take up its entitlement should Baltica proceed with a rights issue.

The Hafnia and Baltica groups are the two leading insurance companies in Denmark.

Baltica recently acquired Statsanstalten, the state insurance and pensions group, for DKr3.4bn.

The letter made it clear that should Baltica wish to finance the Statsanstalten deal by a share issue, Hafnia is willing to pay a substantial premium.

Hafnia is willing to pay DKr1,000 per share for any new shares offered by Baltica, which is DKr230 above yesterday's closing price.

Baltica's chief executive, Mr Petrer Christoffersen, has said, however, that Baltica does not plan to make an equity issue in the present markets.

Hafnia already has a 28.7 per cent stake in Baltica as well as 11 per cent in Baltica Insurance.

The other large shareholder in Baltica is the French Suez group which has 23 per cent.

Baltica has an outstanding authorisation from shareholders to issue shares with a face value of up to DKr500m, without rights for existing shareholders.

If Hafnia obtained this block of shares, it would gain control of 48 per cent in Baltica Holding, enough for effective control.

Mr Christoffersen has said on previous occasions that he does not regard a merger of the two groups as desirable.

● Topdanmark, Denmark's third largest insurer, has reported an increase in first-half profits from DKr128m to DKr159m, a return on equity of 4.8 per cent.

Operating profits increased from DKr114m to DKr128m and gains on securities from DKr17m to DKr31m.

Portal proves an ignored honeypot

Deborah Hargreaves looks at the liberated private placement market

When the Securities and Exchange Commission liberated the *US private placement market* for debt and equity in April, it was heralded as a change that could alter the face of the US financial marketplace.

Six months later, that market has proved a less attractive honeypot for foreign issuers than was predicted.

The amendments made by the SEC under its 144A rules have come at a particularly inopportune time for the equity market with *companies* shying away from international issues amid the extreme volatility and uncertainty in world markets.

The SEC's rule changes essentially mean that privately-placed securities can be traded instead of being locked up for three years as was previously the case.

Although the attractions of issuing equity under the new rules were expected to be greater than those for debt, in fact, the market for debt and convertible securities has taken off more quickly than that for straight equity.

There have so far been five international equity issues on the 144A market, most of which have been fairly small placements.

On the debt and convertible side, companies have been more innovative in using the market, *attracted* by a lower cost of funding than was available under the previous private placement market.

"Issuers of debt securities make their decisions based on price sensitivity," explained Mr Ludovico Del Balzo, head of new issues at Shearson Lehman in London, "but an equity issue is a more strategic move that is more difficult to make in today's environment." This is why equity issuers will be slow to turn to the market

Joseph Hardiman: aims to alter system to attract users

even though they are interested in it, he believes.

The electronic trading system set up by the National Association of Securities Dealers to trade 144A issues has suffered from the market's slow start. Portal is quoting prices on 15 issues made under 144A but is providing distribution for only two of them.

At the same time, the NASD could face competition in the 144A market from rival systems which are planned by the American Stock Exchange and probably, the New York Stock Exchange, as well as an unregulated alternative, proposed by New York's Depositary Trust Company.

The American Stock Exchange has said that the system it is developing in conjunction with Reuters, which is called Situs, will provide a service competing with Portal from the middle of next year. In addition, the DTC has filed with the SEC to provide a similar private placement market which will operate in a way similar to the current over-the-counter market.

Euroclear, the European trade settlement house, has made an agreement with the DTC to provide clearance and *settlement for foreign* issues that will trade on any of the 144A markets in the same way that Cedel currently operates a clearing service for Portal.

The DTC has yet to receive SEC approval for its proposed telephone market in 144A issues which will not provide electronic trading facilities, nor will it vet participants to check they are eligible to buy privately-placed issues.

The SEC sets criteria for participants in the 144A market – that they have a net worth of $25m and securities holdings worth $100m – which are known as qualified institutional buyers. Under Portal rules, institutions must open their books to the NASD to prove they are eligible. In addition, they must enter agreement with Cedel which provides clearing services for Portal and NASD has a responsibility for closely monitoring the market.

The NASD is put out at the prospect of unregulated competition and has opened its own talks with the SEC on opening up its system to anyone who wants to participate. This would get rid of the "closed loop" system under which Portal operates and remove the NASD's guarantee that players are qualified buyers.

Mr Joseph Hardiman, president of the NASD, explains *that*, given the *slow start* to Portal, the NASD is engaging in talks with the SEC aimed at altering the system to attract more users.

Amex and Reuters are watching these machinations closely since their system is planned as a "closed loop". The Amex says its Situs system will offer an advantage over Portal in that it will display additional Reuters information such as foreign exchange rates on the same screens. However, it is likely to follow the NASD away from regulation if the SEC approves the move.

Market participants are keen to distance themselves from the manoeuvrings among the screen providers and are eager to stress that these should not obscure the fundamental benefits of the 144A market.

"I don't think any investor saw 144A as a Brave New World. It has definitely added to the attraction of the US market, but no-one expected to see corporations rushing in there overnight," said Mr Mark Hantho at Morgan Stanley in London. Many brokers point to a residual interest in the market among their corporate clients which is coupled with a reluctance of doing any kind of offering in today's unsettled climate.

One company which was quick to make use of the new market is British Aerospace which launched the first issue of debt securities – an issue of $100m bonds - in 144A in May.

Mr Tony Rice, assistant treasurer at the company, says the cost of funding in the 144A market was definitely five to 10 basis points lower than a similar offering in the private placement market that existed before liberalisation. British Aerospace's *10-year debt issue* carried a 10.15 per cent coupon and was launched at a spread of 115 basis points over the corresponding Treasury bond.

"It wasn't the easiest issue we've done, because we had to break new ground on covenants," said Mr Rice, "but we would definitely return to the market after the positive reception for the deal."

However, he stresses that since the market has been slow to take off, "it's a market where everyone is watching everyone else at the moment".

Polish bank buys into London investment broker

By Christopher Bobinski in Warsaw

POLAND'S Food Economy Bank (BGZ), one of the country's largest banks, is to buy a third of the shares in M.C. Brackenbury, *a London-based* investment manager and broker.

The decision marks the first time that a Polish bank will have purchased shares in a western financial company and gives the BGZ access to foreign financial markets and com*modity exchanges.*

The BGZ acts as a central bank for about 1,500 small co-operative banks in the countryside as well as a network of banks serving the private sector, giving it outlets throughout the country.

The decision to buy into Brackenbury, *which was set up* in 1966, came after BGZ's plans earlier this year to establish a joint venture with western co-operative banks, failed to materialise. Brackenbury is a small, broadly based commodity broker. Although BGZ did not disclose the size of the deal it *stressed* the acquisition was made for less than *$1m.*

BGZ wants eventually to gain access to money markets and leasing in London.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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EQUITY GROUPS & SUB-SECTIONS — Figures in parentheses show number of stocks per section	Tue Oct 2 1990 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1990 to date	Mon Oct 1 Index No.	Fri Sep 28 Index No.	Thu Sep 27 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (196)	699.53	+1.4	16.04	6.79	7.63	29.40	690.10	675.36	678.45	966.37
2 Building Materials (26)	899.73	+1.7	16.38	6.77	7.51	34.59	884.68	864.16	867.49	1168.70
3 Contracting, Construction (35)	1054.96	+1.6	20.13	7.53	6.49	50.99	1038.21	1018.06	1022.64	1575.44
4 Electricals (10)	1918.49	+0.8	14.65	6.95	8.36	73.06	1903.33	1857.04	1850.95	2815.96
5 Electronics (26)	1561.70	+1.3	10.76	5.48	12.71	56.74	1542.28	1510.77	1512.18	2133.31
6 Engineering-Aerospace (8)	427.51	+2.0	15.74	5.63	7.63	15.17	419.09	408.06	409.50	0.00
7 Engineering-General (47)	369.01	+0.6	16.25	7.03	7.40	15.76	366.70	361.71	362.64	0.00
8 Metals and Metal Forming (8)	401.65	+2.8	28.38	8.32	4.29	17.02	390.74	384.16	385.55	500.76
9 Motors (13)	279.71	+1.2	18.36	8.49	6.34	14.26	276.28	267.73	269.75	375.06
10 Other Industrial Materials (23)	1182.61	+1.0	14.55	6.92	7.94	56.53	1171.08	1146.00	1157.59	1765.85
21 CONSUMER GROUP (176)	1159.22	+1.6	10.68	4.45	11.57	29.31	1141.35	1123.61	1137.67	1328.25
22 Brewers and Distillers (22)	1415.63	+1.5	11.05	4.17	10.96	33.47	1394.45	1378.48	1391.81	1483.55
25 Food Manufacturing (18)	1001.58	+1.6	11.60	4.87	10.63	24.61	985.43	973.49	983.50	1170.32
26 Food Retailing (17)	2297.43	+1.4	10.39	3.63	12.26	50.82	2265.91	2237.03	2249.22	2516.50
27 Health and Household (16)	2404.88	+2.3	7.39	3.09	16.07	47.38	2350.81	2292.65	2336.14	2529.71
29 Leisure (32)	1148.27	+1.2	13.05	5.48	9.27	36.79	1134.32	1120.48	1133.59	1744.84
31 Packaging & Paper (12)	480.85	+1.3	13.39	7.24	9.17	22.54	474.60	470.91	475.54	591.63
32 Publishing & Printing (14)	2821.18	+0.9	12.72	6.63	9.84	118.55	2795.71	2764.16	2835.25	3714.79
34 Stores (33)	745.26	+1.0	11.88	5.00	10.95	18.26	737.69	725.01	732.81	839.67
35 Textiles (12)	404.96	+1.7	14.78	8.76	8.58	19.76	398.31	395.22	397.66	570.12
40 OTHER GROUPS (107)	967.92	+1.2	13.06	6.09	9.28	31.51	956.55	937.04	944.60	1186.16
41 Agencies (16)	1160.13	+4.4	9.29	3.41	13.08	22.00	1111.65	1070.84	1073.98	1557.53
42 Chemicals (24)	995.06	+2.2	13.34	6.69	8.85	46.23	973.65	955.26	964.89	1286.16
43 Conglomerates (15)	1288.85	+1.9	13.13	7.77	9.16	35.71	1264.67	1234.77	1262.40	1669.64
44 Transport (14)	1791.39	+1.7	13.51	5.85	9.38	65.20	1761.60	1740.24	1759.39	2333.62
46 Telephone Networks(3)	1055.97	-0.5	12.39	5.18	10.50	26.09	1061.32	1039.44	1039.39	1158.93
47 Water(10)	1954.69	+0.6	15.77	6.93	7.13	68.12	1943.32	1936.20	1954.94	0.00
48 Miscellaneous (25)	1512.19	+1.0	13.85	5.95	8.29	61.39	1497.86	1461.36	1465.34	1959.44
49 INDUSTRIAL GROUP (479)	989.82	+1.4	12.60	5.47	9.72	30.96	976.11	958.21	967.21	1211.49
51 Oil & Gas (21)	2339.27	+0.4	10.65	5.34	12.28	84.75	2330.64	2314.52	2322.49	2202.21
59 500 SHARE INDEX (500)	1099.87	+1.2	12.29	5.45	10.05	35.28	1086.44	1068.52	1077.52	1295.46
61 FINANCIAL GROUP (103)	653.49	+1.4	-	7.25	-	31.27	644.77	630.28	637.31	803.19
62 Banks (9)	691.98	+2.3	23.62	8.30	5.54	41.50	676.74	658.02	663.67	805.57
65 Insurance (Life) (7)	1282.19	+1.1	-	5.98	-	54.97	1268.66	1248.26	1263.16	1263.23
66 Insurance (Composite) (6)	563.05	+1.2	-	7.54	-	27.35	556.50	537.62	543.25	657.21
67 Insurance (Brokers) (8)	800.86	+3.5	11.18	8.07	11.68	40.46	774.04	772.09	789.00	1036.31
68 Merchant Banks (7)	328.57	+1.0	-	6.23	-	12.31	325.46	324.23	326.34	410.62
69 Property (45)	862.14	-0.3	8.76	5.64	15.07	24.52	864.62	848.36	862.41	1323.22
70 Other Financial (21)	235.10	+0.6	11.96	7.42	10.85	10.30	233.78	234.14	236.21	356.73
71 Investment Trusts (66)	988.67	+1.8	-	3.99	-	24.36	971.12	954.21	969.29	1258.06
91 Overseas Traders (5)	1144.93	+2.1	12.55	8.05	9.48	59.65	1121.60	1115.30	1135.36	1403.20
99 ALL-SHARE INDEX (674)	991.56	+1.3	-	5.67	-	33.89	979.09	962.18	970.90	1175.94

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Oct 1	Sep 28	Sep 27	Sep 26	Sep 25	Year ago
FT-SE 100 SHARE INDEX♦	2058.5	+27.7	2075.3	2052.8	2030.8	1990.2	2009.1	2000.0	1999.2	2318.6

FIXED INTEREST

PRICE INDICES	Tue Oct 2	Day's change %	Mon Oct 1	xd adj. today	xd adj. 1990 to date
British Government					
1 Up to 5 years	116.18	+0.08	116.08	-	9.71
2 5-15 years	120.59	+0.10	120.48	-	10.23
3 Over 15 years	121.37	+0.12	121.23	-	9.84
4 Irredeemables	140.01	+0.38	139.49	-	8.85
5 All stocks	121.02	+0.10	120.91	-	10.12
Index-Linked					
6 Up to 5 years	152.79	+0.02	152.77	-	2.46
7 Over 5 years	137.95	+0.07	137.86	-	3.12
8 All stocks	138.96	+0.06	138.87	-	3.06
9 Debentures & Loans	99.30	-0.01	99.37	0.06	8.99
10 Preference	72.28	-0.08	72.34	-	5.23

AVERAGE GROSS REDEMPTION YIELDS		Tue Oct 2	Mon Oct 1	Year ago (approx.)
British Government				
1 Low	5 years	11.03	11.05	10.20
2 Coupons	15 years	11.03	11.05	9.58
3	25 years	11.03	11.05	9.44
4 Medium	5 years	12.10	12.12	11.11
5 Coupons	15 years	11.54	11.55	9.96
6	25 years	11.25	11.26	9.54
7 High	5 years	12.18	12.20	11.22
8 Coupons	15 years	11.80	11.83	10.16
9	25 years	11.55	11.59	9.70
10 Irredeemables†		11.13	11.18	9.49
Index-Linked				
11 Inflation rate 5%	Up to 5yrs.	4.42	4.41	3.55
12 Inflation rate 5%	Over 5 yrs.	4.35	4.35	3.62
13 Inflation rate 10%	Up to 5 yrs.	3.23	3.23	2.73
14 Inflation rate 10%	Over 5 yrs.	4.17	4.17	3.45
15 Debs &	5 years	14.16	14.28	13.21
16 Loans	15 years	13.08	13.06	12.25
17	25 years	12.71	12.70	11.62
18 Preference†		13.09	13.07	10.45

♦Opening index 2075.3; 9 am 2063.9; 10 am 2064.5; 11 am 2059.1; Noon 2061.1; 1 pm 2062.4; 2 pm 2064.0; 2.30 pm 2065.4; 3 pm 2061.6; 4.10 pm 2056.1; (a) 8.30am (b) 3.30pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 35p. CONSTITUENT CHANGES: Deletion: British Syphon Industries (43). Addition: Douglas (Robert M.) (3).

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	74	1	18
Corporations, Dominion and Foreign Bonds	0	5	16
Industrials	534	190	837
Financial and Properties	273	71	396
Oils	22	26	42
Plantations	2	0	8
Mines	22	63	71
Others	102	33	84
Totals	1,029	389	1,472

LONDON RECENT ISSUES

EQUITIES

Issue Price	Am'nt Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price	+or-	Net Div	Times Cov'd	Gross Yield	P/E Ratio
-	F.P.	-	131	90	ABI Leisure 10p	93	+3	R4.7	3.3	6.7	6.1
180	F.P.	-	198	170	Faber Prest	175		9.1	3.7	6.9	5.2
2	F.P.	-	4	3	Finlan Group 1p	3¾		-	-	-	-
†	F.P.	-	75	43	Golden Vale Ir1p	44		uQ158%	5.1	3.4	8.0
-	F.P.	-	24	19	JF Fledgeling Jap. Wts.	20		-	-	-	-
100	F.P.	-	98	76	Jupiter Euro Inv Trust	77	+1	-	-	-	-
-	F.P.	-	38	21	Do. Warrants	21	-2	-	-	-	-
‡108	F.P.	-	116	101	♦Leverrest 5p	102	+1	R4.05	2.4	5.3	8.2
-	F.P.	-	22	20	♦MAI 1p	22		†1.0	2.4	6.1	8.5
†	F.P.	-	17	11	♦Paramount 2½p	11		-	-	-	-
†	F.P.	-	53	41	♦Pelican 20p	41		-	-	-	-
100	F.P.	-	90	83	River & Mere Smaller Co	84		K3.75	-	6.0	-
-	F.P.	-	26	18	Do. Warrants	20		-	-	-	-
130	F.P.	-	156	136	Seton Healthcare 10p	140	+1	L3.75	2.2	3.6	12.5
‡100	F.P.	-	102	90	Stan Select. Growth Tst.	91		-	-	-	-
-	F.P.	-	38	28	Do. Warrants	30		-	-	-	-
100	F.P.	-	102	93	TR European Growth Tst.	95	+1	K1.0	-	1.4	-
40	F.P.	-	43	38	Do. Ptg. Sub. 1p	41	-2	F1.0	-	3.3	-

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

[illegible]

TRADITIONAL OPTIONS

- First Dealings Sept. 17
- Last Dealings Sept. 28
- Last Declarations Dec. 27
- For settlement Jan. 7

For rate indications see end of London Share Service

Calls in Aviva Pet., Ford Setter Morris Props., Ladbroke, Next, Tuskar Res., Oliver Res. and LIT Hldgs. Puts in Brent Walker and Control Secs. Puts and calls in Burns Anderson, Cannon Street Invs. and Next.

LONDON TRADED OPTIONS

TRADED options and stock futures took their lead from a busier equity market yesterday. Stock futures exerted little influence over the cash market despite a more active session. Meanwhile, takeover speculation surrounding STC boosted turnover in its traded options.

The December FT-SE 100 index contract opened up 52 points at 2,125 following the strong gains in Tokyo. The December contract traded at 55-60 points above the cash index, compared with 48 at the previous close.

However, the futures market was unable to hold at its 60-point fair value premium to the FT-SE index. Sellers in the stock market *deterred investors from taking* fresh long positions in futures. Uncertainty about the situation in the Gulf also made potential buyers unwilling to move into the market as fair value approached.

The larger UK institutions were said to be reluctant to buy at current levels but would become more interested at 50 to 100 points lower.

December FT-SE closed at 2,115, up 42 points on the day. December's premium finished at 59 points over the cash index.

In the traded options market turnover rose by a quarter, particularly in stock options. The total number of contracts traded stood *at 39,246 compared with 30,948.* Among the stock options calls were more popular, while in the FT-SE index options there was an even split.

The index options traded 14,191 compared with 12,406. The turnover was divided between 7,019 calls and 7,172 puts. The October 2,150 calls were the busiest on 2,153 lots.

Renewed takeover speculation boosted activity in STC options. A total of 3,839 lots changed hands, twice the turnover of the previous session, and it was the busiest stock option. Call trading predominated.

[illegible]

UK COMPANY NEWS — THE POLLY PECK AFFAIR

A Turkish delight could ease Nadir's discomfort

David Barchard looks at the close links between President Ozal and the troubled head of Polly Peck

AMID THE murky and turbulent events surrounding Polly Peck International, it is becoming increasingly clear that Mr Asil Nadir's best ally is President Turgut Ozal of Turkey.

His future and that of his group may now depend on just how far that alliance can be pushed. It emerged yesterday that Mr Ozal raised Mr Nadir's difficulties in a stormy meeting with Mrs Thatcher in New York at the weekend. This followed earlier representations by the Turkish government to Number Ten some weeks ago, warning that Mr Nadir was the victim of a Greek Cypriot conspiracy.

Despite these unusual moves,it was still not clear yesterday that the Turkish president is either willing or able to mastermind a bail-out operation for Polly Peck.

From the Turkish president's point of view, Mr Nadir is an important ally. He has bought two national newspapers and the country's best known magazine and turned them into lonely supporters of the government in a press world that is otherwise almost overwhelmingly hostile to Mr Ozal and the ruling Motherland Party.

Mr Nadir is also the most rapidly growing entrepreneur in Turkey. His latest round of investments in white goods, consumer electronics, and other consumer durables is poised directly against the older holding groups in Turkish industry who are — behind the scenes — implacable opponents of Mr Ozal and his moves over the past decade to introduce competition to the heavily protected Turkish market.

Mr Nadir has also provided unexpected help to the Turkish government in solving what seemed to be the insoluble problem of the Turkish Cypriot economy.

His investments on the island, particularly those in the tourism industry appear set to make it economically self-sufficient for the first time since a separate Turkish Cypriot state was established 15 years ago and so end a heavy drain on the Turkish treasury in annual subsidies.

In many ways therefore, Mr Nadir and his Turkish ventures are the very embodiment of the Ozal era in Turkey and its hopes of creating a new wave of South-East Asian-style industry in the country.

The links are visible in other ways. Several retired senior military and police figures from the Turkish establishment now hold top positions in Mr Nadir's Turkish operations, cementing his links with officialdom — and fanning the suspicions of his critics.

Mr Nadir has few personal friends in Turkey but he has repeatedly been seen in public with the president on ceremonial occasions.

The most recent occasion came in early September when President Ozal in person opened Mr Nadir's new Sheraton Voyager Hotel in Antalya.

On September 5, the Turkish Foreign Ministry publicly denounced Mr Nadir's critics in the west as "an ugly campaign whipped up by the Greek Cypriots and aimed directly at Mr Nadir with the specific goal of ruining the Turkish Cypriot economy."

Turkish officials continue to stress in public and in private that they are not intervening to protect Mr Nadir against any allegations of possible share-dealing irregularities.

"We just don't know what has happened here. We have no special knowledge of the facts involved. That is up to the British authorities to decide as they see fit," said one senior Turkish official at the weekend.

Even so, attempting to organise a corporate bail-out for Mr Nadir from behind the scenes would be politically extremely dangerous for Mr Ozal. Even inside the Turkish cabinet, there are voices critical of Mr Nadir, mostly coming from the Islamic fundamentalist wing of the party.

As a staunch defender of free market principles, Mr Ozal has stood aside several times over the last decade and watched leading industrial groups inside Turkey falter or collapse.

A rescue operation for Mr Nadir would stir up a chorus of criticism — and not only among his hardened opponents.

"A company of Polly Peck International's stature ought to be able to organise its own rescue operation with the banks without depending on Turkey," said one Istanbul banker yesterday. "Why should Turkish banks in effect give a guarantee to UK banks for Polly Peck's worldwide activities outside Turkey and Cyprus, about which they know nothing?"

Accusations of political favouritism could be especially risky for the president, who is not recognized as head of state by the opposition parties which boycotted his election.

There have been periodic hints from them that if the Motherland Party is defeated at the next general elections, there might be attempts to press corruption and maladministration charges against the president.

One solution might be to back Mr Nadir's Turkish enterprises, Vestel Electronics and Meyna, the fruit export business, while distancing the government from Mr Nadir personally.

But this is not really an option. Polly Peck is no exception to a first generation corporate industrial culture in Turkey in which the fate of an enterprise hangs almost entirely on its founder staying at the helm.

The signs in the last few days are that Mr Ozal, who returned to Ankara from New York only yesterday, is now receiving divided council.

Some of his advisers are pressing him to back Mr Nadir to the hilt and help him overcome his liquidity problem (a task which may be beyond the financial and technical resources of the Turkish banking sector. Others are urging caution and starting to distance themselves from Mr Nadir and hope the president will do the same.

Yet others seem to share the attitude of a Turkish official in the last few days who said despairingly: "We just don't know what is going on and until we do, we can't decide what to do."

President Turgut Ozal of Turkey: raised Nadir's difficulties in a stormy meeting with Mrs Thatcher in New York at the weekend

The man from Del Monte finds himself in a buyers' market

By David Owen

MR ASIL Nadir, chairman of Polly Peck International, may find himself dealing with a buyers' market if he is forced to offload the Florida-based Del Monte Tropical fruit to ease his financial problems.

With credit dear and economic activity on the wane, this is not a good time to be selling companies of any sort.

And it appears to be a particularly bad time to be disposing of a banana and pineapple business.

This is principally because Dole Food, the world's largest sourcer and marketer of fresh fruit and vegetables, is already up for sale. Castle & Cooke, Dole's parent, has said that it has been contacted by a number of interested parties.

A $124.4m (£66.1m) dollop of equity in Chiquita Brands International — once United Fruit — has also been offered this year. Chiquita, which endured a six-week strike this summer at its Honduras banana operations, is controlled by Mr Carl Lindner's Great American Communications.

Both Albert Fisher and Geest of the UK have been mentioned in connection with the Dole food sale.

Mr David Sugden, Geest chief executive, said last week that buying Polly Peck's Del Monte businesses would be "something we would have to consider" if they were to become available. Mr Sugden confirmed that Del Monte was the target of last year's abortive acquisition, which cost the fresh produce and prepared foods company £272,000 in fees.

When Polly Peck bought Del Monte's fresh fruit operations just over a year ago for $875m (£557m at the prevailing rate of exchange), it was initially seen as a quantum leap for the fast-growing food and consumer electronics group's credibility. The shares jumped 70p on the day the deal was announced, notwithstanding an accompanying £283m rights issue.

Mr Nadir acquired the operation from RJR Nabisco, which was disposing of businesses in the wake of the record $25bn leveraged buy-out by Kohlberg Kravis Roberts. The Del Monte Foods processed foods businesses were offloaded separately, with the European juice and tinned fruit operations going in April to investors led by affiliates of Britain's Charterhouse Bank for $375m.

Del Monte's widely recognised brand-name, which was first attached to processed fruit and vegetables in 1891, and experienced management was seen as just the ticket for winning over investors wary of the company's little-understood corporate structure.

"It was realised that what they had with Del Monte was a solid wodge of very sensible US management that could impose more order on what had been an entrepreneurial business," according to one analyst.

"The original plan, so far as we could understand, was a management reverse takeover where Del Monte's style would extend across the whole fruit business."

The purchase was a sound strategic move for Polly Peck. Del Monte's main theatre of operations in the Americas (sourcing from Hawaii, Costa Rica and Guatemala), with a significant foothold in Asia, counterbalanced Polly Peck's European stronghold.

In addition Del Monte's principal strengths in bananas and pineapples formed a complement to Polly Peck's citrus-oriented operations. The company is the world's largest distributor of pineapples and third-largest of bananas, selling 275,000 tonnes and more than 1.07m tonnes respectively in 1988.

Since completion of the deal, Del Monte appears to have continued to perform satisfactorily, with acquisitions contributing £29.6m to taxable food division profits in the first half of 1990.

Integration with Polly Peck's longer-held fresh fruit operations, however, seems to have been relatively limited, despite Mr Brian Haycox's appointment as chief executive of Polly Peck's food division in June.

At the time of the purchase, Mr Haycox was executive vice-president of Del Monte Tropical, having in his late 40s, held a string of senior Del Monte posts over 21 years.

One clear-cut example of integration has been in shipping, where Polly Peck in May raised £142m in a sale and leaseback transaction involving nine refrigerated cargo vessels to which it acquired rights as part of the Del Monte purchase.

Another area where it would appear a logical step is North American distribution. Polly Peck has three distribution arms spread across the US: the New York-based Prevor Marketing International, California-based Mendelson-Zeller and Standard Fruit & Vegetable, based in Texas, which was acquired in March 1990.

Del Monte, for its part, is believed to have sold 60 per cent of its produce direct to supermarkets in recent years. The installation in stores of automatic pineapple cutters has formed part of its strategy to increase sales.

Creditors face tough decisions in liquidity crisis

By David Lascelles, Banking Editor

FEW PEOPLE are awaiting the outcome of Polly Peck's crisis more anxiously than its many creditors.

Yet the company's admission in its late-night statement on Monday that it has liquidity problems means they also hold the key to the company's survival.

What makes Polly Peck's crisis especially difficult to manage is that it has a large number of banks, even by the standards of modern-day multinationals.

The precise number of banks involved has not been disclosed, but it is believed to run to five or six dozen.

Polly Peck also has no lead banker because Mr Asil Nadir, the chairman, prefers to deal with banks individually.

The company's main identified creditors are banks which subscribed to the $500m loan raised by Polly Peck last December to finance the acquisition of Del Monte.

The loan was led by Crédit Suisse First Boston and included Crédit Suisse, Société Générale, NCNB, Arab Banking Corp., Banque Indosuez, Crédit Agricole, Mitsui Trust, Nippon Credit Bank, Rabobank, Dresdner Bank and Standard Chartered, all of whom took $80m.

Subscribers to smaller loans include the Qatar National Bank, Commercial Bank of Kuwait, Middle East Bank, First City Texas, United Mizrahi Bank, the Commonwealth Bank of Australia, and Kansallis Osake Pankki.

Polly Peck's largest bank creditor is believed to be Standard Chartered with just under £50m. Standard's merchant banking arm, Standard Chartered WestLB, is adviser to Polly Peck, and the bank is playing the role of convener of this Friday's meeting between the company and its creditors.

In the middle of this year, Polly Peck had total long term borrowing of £832.6m. But the bulk of this is not at risk because it is not due to be repaid for several years.

Nearly £300m of it comprises the Del Monte borrowings which are secured against Del Monte's assets and cash flow. Bankers say they feel comfortable about this exposure because of the strength of the Del Monte business.

Polly Peck's problems are much more likely to lie in its short term borrowings. The net amount owed to banks was £117m at the end of June. But there was also £426m of "other" short term borrowings — mainly credits from the company's many suppliers.

Both these sources of credit could quickky dry up if there were a crisis of confidence in the company, though the interim accounts showed the company also had about £250m of cash.

What has made Polly Peck's predicament worse is the fact that the crisis has coincided with the fruit-picking season.

This is the time of year when the company's cash flow is most stretched because it has to pay fruit growers before it has sold the fruit on, and its borrowings consequently rise sharply.

An uncomfortably large proportion of PPI's short term-credits are also uncommitted, which means that they are not automatically renewed or rolled over once repaid.

Bankers will be looking for concrete indications at Friday's meeting that the company can overcome the crisis.

One banker who will be attending the meeting said yesterday he was encouraged by news that the Turkish government is planning to assemble a financial support operation.

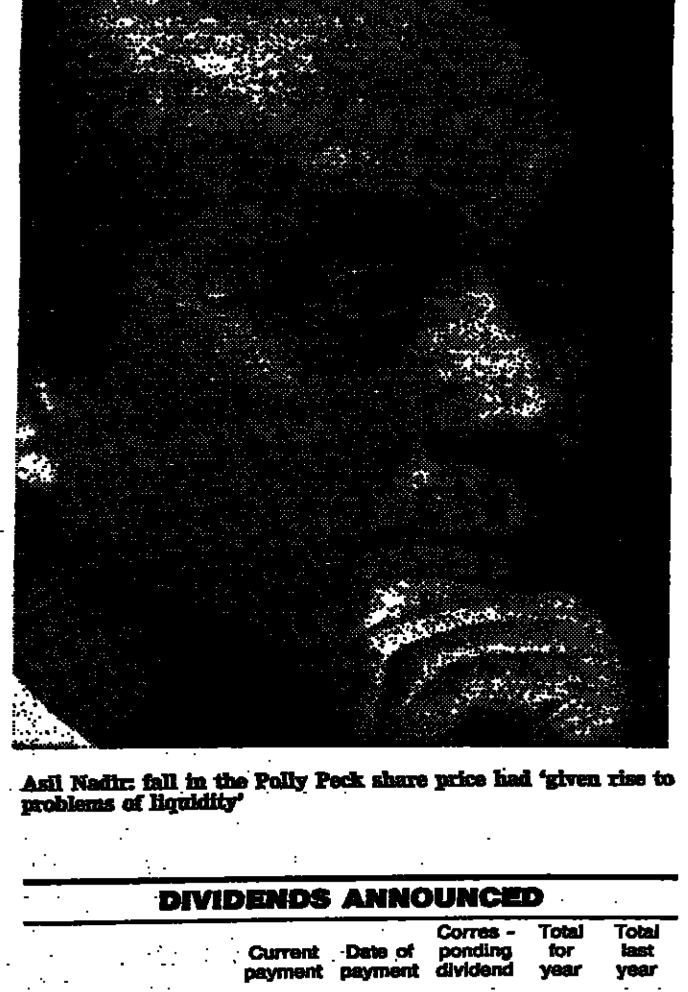
"That would be good," he said, "because they obviously have liquidity problems."

If the Turkish government succeeds in putting together a £100m commercial bank credit for Polly Peck as reported, the funds would have the double benefit of easing the company's cash squeeze and bolstering the confidence of other creditors. But its chances of succeeding looked doubtful yesterday.

One leading Turkish banker said last night that Turkish banks were not geared up to provide a £100m guarantee. "Why should Turkish banks give a guarantee to UK banks?" he asked.

Bankers also said that the large number of banks involved, and the strains already hurting the financial services sector would only make things worse.

This had "hit a very nervous banking market," said one of them. All this suggests that Polly Peck's creditors will have to make some tough decisions by the end of this week.



Asil Nadir: fall in the Polly Peck share price had 'given rise to problems of liquidity'

Statements which leave more questions than give answers to major concerns

By Richard Waters and Clay Harris

THE SHAREHOLDERS, bankers and creditors of Polly Peck International had waited 11 days for the company to break its silence following the collapse in its share price and suspension by the Stock Exchange on September 20.

But the statement, or rather three statements, which came at shortly before 10pm on Monday, left them disappointed, if not surprised given the difficulty over the years of getting a straight answer out of the company.

One City regulator familiar with the difficulties the Stock Exchange has had in its prolonged discussions with Polly Peck over the past week said yesterday: "For every answer, there is another question. For every statement, you have to look behind it."

Monday night's announcements left at least the two most important questions unanswered:

● What is the extent of Polly Peck's financial crisis?

● Where are the Serious Fraud Office investigations into a possible share support operation likely to lead?

The only revelations touched on Mr Nadir's personal liquidity crisis, rather than that of the company.

Of its own business, Polly Peck said only that operating companies had not been materially disrupted by recent events. However, no figures were provided of either the profits or operating cash flows of group companies.

This lack of verifiable figures is the main reason the statement did not clear the way for trading to resume in Polly Peck shares. This is now unlikely to happen for weeks.

One difficulty is the liquidity problem to which Polly Peck confessed on Monday night. Until the company can establish the security of its financial outlook — with or without the support of Turkish banks — the Stock Exchange quotations panel cannot conclude that an orderly market is possible in the shares. That may be the central concern at the Stock Exchange, but its doubts are believed to range wider.

With Polly Peck's losing its place in the FT-SE 100 index of leading companies, barely a year after the takeover of Del Monte led to its promotion to the top division, much of the pressure for an early resumption of trading has been relieved.

Polly Peck is now just another share, not one of the elite, and many such companies have lived in limbo for months.

Mr Nadir's statements, on the surface, were more enlightening. At least, they provided better headlines.

Mr Nadir revealed that several Swiss banks or Swiss branches of other banks had held Polly Peck shares as collateral against loans advanced to a company and a trust in which he had an interest. They rushed to dump part of these holdings on the stock market, precipitating the collapse in the share price and the suspension of trading.

Of 16.65m shares sold by the banks from the end of August, the bulk — 10m — were sold on the day the shares were suspended, as it emerged that the Serious Fraud Office had searched the premises of South Audley Management, a company linked to Mr Nadir, and that Mr Nadir himself had been summoned to the SFO for questioning.

The banks involved were the Swiss arms of Citicorp, SG Warburg, Credit Suisse, First National Bank of Chicago and Merrill Lynch. It was Citicorp's sale of 7.9m shares at 10.20am on September 20 that started the rush for the exit. The shares plummeted from 243p to 108p during the day.

Even though the sales started on August 31, Mr Nadir said in his statement on Monday that he had not been informed of any of the sales by the banks until at least September 20. This explains why none were announced to the stock market earlier, as they should have been had Mr Nadir known of them.

All the stock market did know, or thought it knew, in the run up to suspension was that Mr Nadir was *buying* shares.

An announcement on September 13 said that he had bought 7m at prices between 255p and 277p a share. The correct number was 6m, according to Monday's statement, although no reason was given for the earlier mistake.

The purchase came after banks had already sold about 3m Polly Peck shares pledged as collateral by Mr Nadir's company and trust. Mr Nadir is left holding 24.22 per cent of the company.

However, these questions were raised by his statement.

● Were any of the shares that Mr Nadir said publicly he had bought the same ones which were being sold by the banks, without disclosure until Monday?

● Why did Mr Nadir's statement refer to "margin loans" — which implies he put up a fraction of the price and owed interest to the lender on the unpaid balance — and yet the accompanying disclosure table speak of "shares placed with [the banks] as collateral for facilities", which suggests he was raising money with the shares as security?

In other words, was Mr Nadir borrowing money to buy shares or hocking his shares to raise cash?

In any case, Mr Nadir said on Monday that his holdings in Polly Peck had fallen in value from £400m to £100m. "My underlying financial position, which is not solely dependent on my interests in Polly Peck, remains strong."

But he added that the fall in the share price, coupled with his recent share purchases, had "given rise to problems of liquidity. These I am urgently addressing."

No further information was given on Mr Nadir's personal financial position. It was also left unclear to what extent Mr Nadir had been able to pay for the £30m of shares he bought in Polly Peck between September 4 and September 20, or whether his brokers have been left footing the bill.

In other respects the statements left much unanswered. For instance, little information was given on the extent of Mr Nadir's relationship with South Audley Management. No mention was made of any relationships with Ms Elizabeth Forsyth and Mr Jason Davies, the South Audley staff whose activities are being studied by the investigators.

What did emerge is that Mr Nadir is a principal beneficiary and life tenant of a Nadir family trust which owns South Audley. The company is said to provide "management and administration services to Nadir family interests" and has no connection with Polly Peck. Previously, he had distanced himself from South Audley.

Mr Nadir also issued a strenuous denial of any involvement in any improper share dealings and said the SFO investigations were "unrelated to matters within my knowledge".

He added: "There have been allegations of improper dealings in Polly Peck shares by a variety of individuals with actual or alleged, close or remote, associations with me. I am not aware that any of these allegations are justified.

"Certainly, any suggestions that I have been involved in improper share dealing are false." He confirmed that the SFO enquiries were "substantially related to the alleged impropriety in dealing in Polly Peck shares", and said he had answered questions during his meeting last week with the SFO "to the best of my information."

The board itself said that it had found no evidence that any of its money, or that of subsidiaries, had been used to help buy its own shares — an offence under section 151 of the Companies Act. It also reported that Mr Nadir had informed the board that "he denies all allegations of impropriety" and was suing the Sunday Times and Observer for libel over recent articles.

The board said it was now providing "information and documentation" to the SFO and has offered to provide any help it can to bring the investigation to a conclusion.

The statements also revealed little about the financial position of Polly Peck itself, now the subject of urgent negotiations among its bankers. The share suspension and related negative publicity had given rise to "liquidity problems", it said. A meeting of banks and other lenders had been called for this Friday by "one of the company's bankers", believed to be a reference to Standard Chartered.

Of Mr Nadir's talks with the Turkish government, the board said only that it "draws considerable encouragement from the degree of interest shown by that government".

Mr Nadir, in a personal statement, added only that his talks had been held "with a view to arrangements being made, in the near future, that will restore confidence in Polly Peck and financial stability to the market in its shares. The extent to which these "arrangements" will underpin the finances of Polly Peck is the biggest open question of all.

Until the company can establish the security of its financial outlook the Stock Exchange quotations panel cannot conclude that an orderly market is possible in the shares. That may be the central concern

Moody's downgrades offshoot's rating

By Tracy Corrigan

THE CREDIT ratings of Polly Peck International Finance, a wholly owned subsidiary of Polly Peck International, were downgraded yesterday by Moody's, affecting over $600m (£319m) of debt.

There has been no trading in the debt since the suspension of Polly Peck's shares on September 20, so any impact on prices was undiscernable.

The ratings of the company's outstanding Swiss franc bonds were lowered from BA1 to BA3, and its convertible preference shares from BA3 to B2.

This paper was always of speculative — rather than investment — status, and the downgrades further reduce its quality.

Polly Peck has six issues totalling SFr600m (£246m) outstanding in the Swiss market, all arranged by Warburg Soditic.

Trading in all those deals was officially suspended by the Zurich stock exchange on September 21.

Polly Peck will have to cover redemption and interest costs on one of the deals, a SFr50m issue of 6¼ per cent bonds which matures on November 19. That deal was last quoted at 97¾, prior to the suspension of trading. But turnover of the Swiss franc deals is consistently low, because the paper is tightly held by retail investors.

Polly Peck's outstanding $110m issue of convertible bonds, due 2005, are not being traded either, although they have not been officially suspended.

They were last quoted at about 53, having lost about 30 points prior to the suspension of the shares at 110p. At those levels, the premium on the bonds had expanded to 66 per cent.

Polly Peck also has a £100m commercial paper programme, arranged by Hill Samuel.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Barry Wehmiller ......fin	4.3	Dec 7	3.8	6.5	5.6
Beckman (A) ....fin	3.15	Jan 3	3.15	4.78	4.78
Boosey & Hawkes ...int	4	Nov 14	3.3	-	12.3
Colroy ....fin	6	Dec 7	5.5	8.25	7.5
Derwent Valley ....int	2.75	Nov 23	2.5	-	7.5
Doeflex ....int	1.32	-	1.32	-	4
Ibstock Johnsen ....int	2.25‡	Dec 3	2.25	-	6
Lloyds Chemists ......fin	2	-	1.56	2.78	2.21
Ossory Estates ....fin	0.4	Nov 14	0.45	0.85	0.75
Palma ....int	nil	-	1.2	-	3.7
Pittard Garnar ....int	0.25	Jan 2	1.95	-	6.1
Raine Industries.......fin	3.75	-	3.5	5.75	5
Sears ....int	1.525	Dec 10	1.525	-	5.355
Sheffield Insul ....int	1.8†	Nov 12	-	-	3.3
Telfos ....int	3.6†	-	3.6	-	10
Thorpe (FW) ....fin	5	Nov 23	4	7.5	6.5
Ward Group ....int	2.4	Nov 19	2.4	-	7.2
Welsh Industrial.......fin	4	-	1	4	1

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ‡Scrip option

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims- Abtrust New Thai Inv Trust, Anglo American Inv Trust, Ash & Lacy, Bank Of Wales, Hafnia, Harrisons & Crosfield, Higgs & Hill, Time Products.

Finals- Bank Of Scotland, Cowan De Groot, JF Pacific, Meunders, Photo-Me.

FUTURE DATES

Interims-

Boot (Henry)	Oct 17
Cohen (A)	Oct 11
Elswick	Oct 16
Expedier	Oct 4
French Connection	Oct 18
Johnson Group	Oct 12
New Ireland	Oct 11
Polymark Intl	Oct 10
Porter Chadburn	Dec 4
Porth	Oct 8
Quadrant	Oct 15
Touchstone	Oct 8

Finals-

Cowan de Groot	Oct 3
Interaurope Technology	Oct 8
Manchester & London Inv	Oct 4
Presaco	Oct 23
Strait Invs	Dec 14
Town Centre Secs	Oct 11

UK COMPANY NEWS

BUILDING CONTRACTORS AND SUPPLIERS

Falling brick demand cuts Ibstock to £22m

By Andrew Hill

FALLING DEMAND for bricks in the UK and US cut first-half profits by 30 per cent at Ibstock Johnsen.

The building materials and forestry products group made £22.2m before tax in the six months to June 30, compared with £31.8m in the equivalent period. The company warned that second-half profits would be even lower.

Mr Ian Maclellan, joint managing director, said yesterday: "We are going to come through 1991, which I think is going to be one of the worst years in our history, and when interest rates are cut we will bounce back."

Ibstock held its interim dividend at 2.25p, despite a 32 per cent drop in earnings, from 10.24p to 7.01p. Group sales moved ahead slightly to £176m (£175m).

However, Mr Maclellan and Mr Richard Boxall, the other joint managing director, said they were happy with the performance of Ibstock's UK business, which increased market share in spite of slackening demand. Trading profit in the UK slipped from £15.8m to £13.7m on turnover of £42.2m (£46.9m).

Prices fell by 13 per cent, but Mr Boxall said the group's bricks, which are at the top end of the range, had held up well against an estimated average decline in prices in the industry of about 20 per cent.

The group's US brick-making activities slipped into the red in the first half, losing £524,000, compared with profits of £4.04m in the equivalent period.

Turnover was almost static at £41.4m (£41.6m) as the number of new housing starts in the north-east of the US – Ibstock's principal market – fell by more than 25 per cent. The group has started to reorganise its US activities and took the initial £3.78m cost of rationalisation below the line.

On mainland Europe building product profits increased to £1.78m (£1.56m) on sales of £12.1m (£9.47m).

The group's forestry products business suffered from a fall in pulp demand and prices. Trading profits fell from £10.5m to £6.75m, although sales rose to £80.7m (£77.1m).

Ibstock also announced yesterday it would pay up to £3.7m for two small UK companies: Hathernware Ceramics, which makes decorative moulded cladding and also manufactures specialised stoneware for the chemicals industry, and Ceba Building Components, which produces reconstituted stone products.

● COMMENT

This year marks the 20th anniversary of the merger between Ibstock Brick and Tile Company and woodpulp agent Johnsen Jorgensen and Wettre. Therein lies the problem for the group's shares: people like the Ibstock, but are nervous about the Johnsen. Under the circumstances, the UK brick business has had a splendid first half. Not only are prices for its upmarket bricks firmer than those for ordinary bricks, margins are still an amazing 32 per cent. Pulp, on the other hand, is in a hole, and there is worrying uncertainty about how deep it will be. That suggests to some analysts that the group will make as little as £20m next year. Forecasts for the current year are grouped at about £35m before tax, which puts the shares, unchanged at 90p yesterday, on a prospective p/e of about 8. The company has been commendably open about its anxieties, but this is still too early to buy on the basis of recovery in the housing market.

Richard Boxall (left) and Ian Maclellan, joint managing directors of Ibstock Johnsen: happy with the group's performance

Prudent Raine jumps to £27m

By Richard Gourlay

RAINE INDUSTRIES, the house and building contractor and interior designer, yesterday displayed the rewards of its caution ahead of the current economic downturn.

The Derbyshire-based group lifted taxable profits for the 12 months to June 30 by more than 17 per cent to £27.31m.

Raine was able to cut its debt from £9.8m to a net positive cash position at the year end of £2.5m.

The shares closed up 5p at 87p.

The company switched the emphasis of its Hassall Homes housebuilding business towards cheaper houses and also cut the stock of land on its books, increasing its use of options to buy land.

Profits from housebuilding, which is entirely based in the north of England and Scotland, survived the slump that has hit the south-eastern market and rose marginally to £14.38m on sales ahead 12 per cent at £97.68m.

The group raised the dependence of its Hall and Tawse building contracting and commercial property development division on public sector business to over 50 per cent of sales.

Profits from Hall and Tawse rose 36 per cent to £9.81m on turnover up 30 per cent at £215.09m with margins holding up in the relatively buoyant Midland and Scottish markets.

For the first full year, Raine enjoyed the full benefit of the Plumb's interior contracting business which it bought for £26m in May 1989.

The interiors division contributed profits of £3.09m, compared to £1.69m in 1989.

Overall sales increased 35 per cent to £399.94m (£296.18m).

Earnings per share advanced from 12.7p to 14p and a recommended final dividend of 3.75p brings the total for the year to 5.75p, a rise of 15 per cent.

● COMMENT

When most other housebuilders and construction companies seem to be crumbling, Raine has survived the housing slump with surprising ease. Having foreseen the current economic gloom earlier than many of its competitors and secured half its 1991 order book for its interiors division and 80 per cent of its contracting business, half Raine's profits are relatively safely in the bag. However, it is on Hassall's shoulders that Raine Industries' fortunes in 1991 depend and, as a result, the company's advance now looks likely to slow. Hassall is dependent on the behaviour of UK interest rates and its absence from the ravaged south east house market no longer guarantees immunity from the house slump which is creeping north. Notwithstanding the problems faced by its competitors in the interior contracting market, which has helped Plumb's results, growth of this division too is likely to slow. But everything is relative and with earnings for 1991 estimated at around £24m giving a multiple of about 7 times earnings, Raine looks a sound proposition compared to many of the larger players in its market.

Lower margins and interest hit Ward Group

Lower margins and higher interest charges left Ward Group, the steel and building components company, showing taxable profits of £5.28m in the six months to end-June, an 18 per cent fall on last time's £6.43m.

Mr Nigel Forsyth, chief executive, said prices in the UK had been under severe pressure as a result of declining trading volumes. However, the group was insulated from the UK fall by the continental Europe businesses which had continued to grow.

He added that gearing was expected to fall in the second half with a consequent reduction in interest costs. The net charge for the period was £912,000, against £33,000.

Turnover for this North Yorkshire-based company improved 30 per cent to £95.98m (£73.67m). More than one third of the increase was generated in continental Europe. After tax of £1.79m (£2.15m) earnings per share were 13.9p (19.6p). The interim dividend is maintained at 2.4p.

Colroy down 35% in difficult conditions

Colroy, the Buckinghamshire-based residential property developer, yesterday announced a 35 per cent drop, from £4.37m to £2.86m, in taxable profits for the year to July 31. Turnover fell 22 per cent from £20.43m to £15.89m.

The company builds houses in the north-west of England, the east Midlands and East Anglia.

Its balance sheet shows shareholders' funds of £13.5m and nil gearing. However, according to Mr Jonathan Jacobs, chairman, "a reduction in interest rates is the essential factor to an increase in sales and consequent improvement in profitability".

Colroy's land bank – "valued on a prudent commercial basis" – shows a "substantial surplus value over cost and strongly underpins our competitive ability," he added.

Despite the profits setback, a final dividend of 6p is proposed, lifting the total for the year by 0.75p to 8.25p. Earnings per 10p share dipped to 22.95p (30.46p).

Lep adopts 'relaxed' stance as ADT raises holding to 21.8%

By Andrew Hill

ADT, the electronic security and vehicle auction group, has increased its stake in Lep Group, the security and distribution company, from 14.8 per cent to 21.8 per cent.

Lep owns National Guardian Corporation, one of ADT's main rivals in the US security market.

ADT told Mr John Read Lep's chairman, that it was going to announce the stake increase yesterday morning, but apparently the group did not indicate any change in its attitude towards the investment. Lep's shares rose just 1p to 164p yesterday.

Mr Read said: yesterday: "We're quite relaxed about it. The shareholders can do what they like; it's our job to provide value for them."

Increasing the holding to more than 20 per cent will enable ADT to take a share of Lep's profits into its own accounts, instead of enjoying income only from dividends.

The move was linked in the market with a 19p drop in the share price of Automated Security (Holdings), another of ADT's rival security companies, to 188p. Last September it was revealed that ADT had a stake of just under 5 per cent in ASH. Since then ADT has reduced its stake to below 3 per cent and there was speculation yesterday that it was selling more shares.

Mr Tom Buffett, ASH's chairman, blamed technical factors for the share price movement. The Bermuda-registered group still has $1.1bn of cash and liquid securities in its balance sheet. ADT's shares rose 3½p to 144p yesterday.

GrandMet buys French cakes business from BSN

By Philip Rawstorne

GRAND Metropolitan yesterday extended its operations in the European baked goods market with the acquisition of Belin Surgelés, a leading French frozen cakes and pastries business, from BSN, the French foods and drinks group.

GrandMet did not disclose the purchase price but analysts' estimates put it between £10m and £12m.

Belin, which operates from two modern production sites at Castelsarrasin, near Toulouse, and Chamelet, near Lyon, employs more than 200 people and has turnover of £20m.

The company manufactures and supplies a range of frozen desserts, cakes and pastries for both the retail and catering markets.

The acquisition will strengthen GrandMet's recently created European Baked Goods Division which includes Gringoire Brossard and Vinchon Jeannette in France, Driehoek in the Netherlands, Brossard in Belgium, Fleur de Lys in the UK and Goldstein and Backfrost in Germany, and has turnover of £200m.

● GrandMet yesterday declined to comment on reports that it is considering the sale of its pub-restaurant chain of 200 Berni Inns in the UK.

Disposal of the operation would help to reduce the company's debt which at the half year ended March 31 stood at 96 per cent of shareholders' funds.

Reliant pulls out of property

By Jane Fuller

RELIANT GROUP, the USM-quoted maker of Metrocabs and the three-wheeled Robin cars, has completed its withdrawal from property by selling its Wiseoak subsidiary for £1.

Reliant said it was now free to concentrate on vehicle manufacture. The property activities date back to May 1989 when two housebuilding companies, Wiseoak and Belmont Homes, reversed into Reliant. The board decided to dispose of the loss-making property division to reduce borrowings.

The Staffordshire-based company also said it had abandoned its plan to buy Ex-Press Plastics, which specialises in the moulding of glass-reinforced plastic products. This followed a downward revision of expectations for Ex-Press and the withdrawal of some banking facilities previously agreed for the £1.9m purchase. It involves rescinding a contract.

The £5.5m raised via a one-for-one rights issue this summer has also been put towards debt reduction.

The group said its borrowings on September 30 were £5.8m, compared with £23.5m in September last year.

In the six months to March 31, Reliant made a pre-tax loss of £4.2m on turnover of £10.1m.

The share price closed unchanged at 8p yesterday.

Quilter Goodison expands

By Richard Lapper

QUILTER GOODISON, the London-based stockbroking subsidiary of Commercial Union, the general and life insurer, is negotiating to acquire Channel Island Portfolio Managers, a Jersey-based stockbroker.

Mr Glyn Roberts, Quilter's managing director, expects the deal to be completed by the end of the year.

Channel Island Portfolio Managers, which has funds of about £150m under management, was set up in 1988 by four former executives of city firms who had left Jersey.

Quilter Goodison was until relatively recently one of the largest firms catering for private investors. It was acquired by Commercial Union from its former parent, the French bank, Paribas, in September 1988.

The acquisition is in line with CU's aim to develop its financial services business and comes when many firms have dismantled their Channel Island operations.

UK COMPANY NEWS

Pittard £1.87m loss as skin prices collapse

By Jane Fuller

PITTARD GARNAR, the UK's only independent quoted leather company now that control of its rival Strong & Fisher is passing to Hillsdown Holdings, made a pre-tax loss of £1.87m in the six months to June 30 and slashed its interim dividend.

The fall, from a pre-tax profit of £2.01m in the first half of 1989, followed a collapse in sheepskin prices, one of the problems that pulled down Strong, a previous bidder for Pittard Garnar.

Another factor was the falling value of Strong's 27 per cent stake in Pittard, the share price of which fell another 5p yesterday to 44p, compared with last year's high of 308p.

Pittard, which cut its interim dividend to 0.25p (1.95p), had warned of losses of £1m to £1.5m in July.

Mr John Pittard, managing director, said the eventual outcome was worse because the sheepskin price, which had already fallen by 50 per cent between April and June, had dropped by a further 16 per cent.

The collapse, the second in two years, had been aggravated by destocking among competitors, including Strong, as they tried to improve liquidity.

Pittard had suffered because some customers failed to honour contracts made before the price collapse. The resulting loss of £1.76m incurred by the clothing and chamois and the trading divisions, plus provisions of £400,000, were included as an exceptional item.

To try to reduce the impact of price volatility, Pittard was reorganising the business so that it carried less stock and traded with selected customers, he said.

Group turnover increased to £72.21m (£65.91m), following a 40 per cent improvement in the previously loss-making shoe and leather goods division.

Mr Pittard said it was a pity that its return to profitability and a record contribution from the gloving division had been wiped out.

Group operating profit of £2.82m (£3.4m) was reduced by interest charges of £2.53m (£1.39m) as well as the exceptionals.

Borrowings peaked in the spring at £38m, gearing of about 110 per cent. They were expected to be reduced by more than £16m by the end of the year.

In spite of improvements, it was not expected that the losses could be fully recovered in the second half, he said.

The interim loss per share was 6.8p, compared with earnings of 5.9p.

● COMMENT

Pittard was again knocked back by the volatile price of a raw material which is a by-product of the meat industry, rather than linked to the demand for skins. Two things give hope for a reversal of the run into losses: the bottoming out of the sheepskin price and a management change. Mr Aden Creedon, who led the turnround in shoes and leather goods, against an inauspicious industry background, has now been set on the ailing clothing and chamois division. Recovery prospects are enhanced by the debt reduction and a renewed emphasis on margins. The share price is, however, likely to languish for some months yet.

Pre-tax losses for the year are forecast to be more than £1m and the prospective yield is only 2 per cent. Any speculative premium has been doused, in the short term at least, by Strong's combination with Hillsdown.

Dixons to drop New York share listing

By Maggie Urry

DIXONS GROUP, the UK and US electrical goods retailer, has decided to drop its New York Stock Exchange share listing. It said that only 18 people held the New York listed shares, which represented much less than 1 per cent of the group's share capital. Trading in the shares on the New York exchange was minimal, it added.

The move follows some dissatisfaction among European groups about US share listings. Earlier this year Svenska Cellulosa, the Swedish-based pulp, paper and packaging group, withdrew its listing on the National Association of Securities Dealers Automated Quotations (Nasdaq) market in the US.

Robert Shrager: most of 18 US holders were Silo employees

Mr Robert Shrager, Dixons' finance director, said that most of the group's US shareholders dealt through the London market. He said that the cost of complying with the US filing obligations was £40,000 to £50,000 a year, plus management time. Dixons shares rose 2p to 123p yesterday.

He said the move did not affect Dixons' plans for continued investment in Silo, its US business. In the year to end April Silo contributed pre-tax profits of £10.6m to group profits of £80.1m. Mr Shrager said that most of the 18 holders of the US listed shares were Silo employees.

Citicorp, the bank, is to continue to sponsor trading in the Dixons ADRs.

NEWS DIGEST

Hibernian provision hits Inoco

A £738,000 provision to cut the carrying value of shares in Edinburgh Hibernian contributed to Inoco plunging to a £2.15m loss, against profits of £786,000, for the half year to June 30.

Mr David Hudd, Inoco chairman, said he hoped Hibs' future performance would justify its board's refusal to consider a takeover bid by the rival Heart of Midlothian Football Club earlier this year.

Turnover of the USM-quoted oil and property group, which has a 26.6 per cent stake in Hibs, was £5.32m (£3.62m).

Interest took £5.11m (£2.57m), and administration expenses £811,000 (£912,000).

There was an extraordinary profit of £815,000 (£125,000 loss) on investment property sales.

Net income from property sales rose 49 per cent to £4.28m (£2.87m), reflecting favourable rent reviews and an increased portfolio, totalling £125m (£100m), said Mr Hudd.

Losses per share came to 1.06p (0.30p earnings).

All-round growth at Boosey & Hawkes

Improvements in both its divisions helped Boosey & Hawkes continue its improvement with interim taxable profits rising from £875,000 to £1.04m in the first six months of this year.

The rise was achieved in spite of margins in the instrument division being adversely affected by currency movements.

Turnover was £23.27m (£21.05m) and the net interest charge was £829,000 (£768,000).

After tax of £523,000 (£440,000) earnings per share were 13p (10.7p).

The interim dividend is raised to 4p (3.3p).

Interest charges peg progress at Doeflex

Although operating profits advanced 8 per cent to £906,000, increased interest charges meant pre-tax figures of Doeflex, a maker of special plastics materials, showed only a marginal 2 per cent rise to £717,000 in the first half of 1990, against £703,000 last time.

Sales edged ahead to £9.6m (£9.4m), while interest payments accounted for £189,000 (£135,000).

Tax took £251,000 (£246,000) leaving earnings per share up from 5.46p to 5.57p.

The interim dividend is maintained at 1.32p.

Mr Richard Bickerton, chairman, said the outlook was good in all main operating areas.

However, the depressed trading conditions, particularly in the construction industry, would continue to have a short term impact on sales of some products.

A Beckman ahead 20% to £1.44m

A 20 per cent profits expansion was yesterday reported by A Beckman, the textile and property investment and trading group.

The pre-tax balance for the 12 months to June 30 – £1.44m against £1.2m last time – was struck after interest charges of £151,000 (£41,000) and included £39,000 (£30,000) from associates.

The textile side contributed operating profits of £418,000 (£263,000) on turnover of £11.35m (£10.31m). The company described the division's performance since its year-end as "satisfactory".

The property division lifted operating profits from £943,000 to £1.13m on turnover of £3.05m (£2.54m). Borrowing were largely long-term, the directors said, and the cash position remained strong.

Earnings per 10p share rose to 8.4p (6.3p) and the total dividend is maintained at 4.78p via a recommended final of 3.15p.

REA improves to £406,000

REA Holdings, the plantations and commodity trading group, reported taxable profits of £406,000 for the half year to end-June.

The advance from last time's £314,000 came on turnover of £26.54m (£16.81m), was struck after interest charges of £144,000 (£141,000).

Earnings per £1 share improved to 2.6p (1.6p). Directors forecast a dividend of not less than 4p for the year.

Export growth helps Thorpe to £1.37m

FW Thorpe, the lighting equipment manufacturer, increased taxable profits by 10 per cent from £1.24m to £1.37m for the year to June 30.

A 38 per cent growth in exports, particularly in Europe and the Middle East, helped to push up total turnover by 19 per cent to £11.46m (£9.66m).

Earnings per share rose to 29.2p (26.8p) and a final dividend of 5p is proposed, making a total of 7.5p (6.5p).

A three-for-one scrip issue is also proposed. The group hopes to launch at least three new products in the next six months.

Telfos advances 18% to £3.42m

Telfos Holdings, the engineering and investments group, increased taxable profits by 18 per cent from £2.89m to £3.42m for the six months to June 30.

However, there was a £399,000 loss from investment and property, against an £804,000 profit, and the group is to disengage from this sector and concentrate on engineering.

Turnover grew to £35.77m (£22.68m), with the engineering sector operating profit rising to £4.39m (£2.84m) and interest costs easing to £372,000 (£751,000).

There was a £199,000 (nil) share of associated companies loss and below the line a £1.24m (nil) charge for minority interests.

Earnings fell to 7.7p (11p) per share and the interim is unchanged at 3.6p.

Initial profit of £0.5m for Medeva

Medeva, the medical research and pharmaceutical company, reported pre-tax profits of £522,000 on turnover of £20.21m in the six months to June 30, the first period in its present form.

The pre-tax figure was after an interest charge of £461,000 resulting from borrowings to finance acquisitions and build up stocks. There was no tax charge leaving earnings per share of 0.48p. There was an extraordinary credit of £428,000.

Mr Bernard Taylor, chairman, said that the second half should show an advance on the first six months and expected to be able to propose the new company's first dividend.

The group was formed at the beginning of this year by the merger of Medirace and Evans Healthcare. In June it acquired Thomas Kerfoot.

UK COMPANY NEWS

Next maintains silence as shares slip further to 22p

By Maggie Urry

SHARES IN Next, the high street fashion and Grattan mail order retailer, fell more than a fifth yesterday closing down 6½p at 22p, valuing the group at £80.8m. The shares have fallen this year from a peak of 108p.

The company said it was not making a statement about the price fall or about rumours in the stock market. Next is due to report interim figures on October 16.

Next, which is still remembered as the group which Mr George Davies built up and was sacked from in 1988, has seen its profits fall sharply during the last two years and analysts are not expecting an early recovery.

Forecasts for the current year are for pre-tax profits in the £10m to £15m range compared with £26.4m pre-exceptional profits in the 1989-90 financial year.

While the group is not heavily borrowed, with gearing in the last balance sheet at 34.5 per cent, holders of the group's two convertible bond issues are likely to demand repayment in 1992. About £140m of these bonds is outstanding, although Next has been buying them back in the market.

David Jones, chairman, saw heavy trading in shares

Yesterday Next's shares were also affected by lower-than-expected interim profits from Sears, another high street and mail order retailer.

Analysts said there was unusually heavy trade in Next shares. The price of the group's two convertible stocks also fell sharply. The 5¾ per cent 2002 convertible bonds dropped from 89½ to 85, where they yield more than 30 per cent to the holders' optional redemption date in January 1992.

Shareholders have been anxiously awaiting news of the disposal of Next's credit card operation, Club 24, and its property activities, together expected to raise about £80m. Sales have taken longer to materialise than expected.

However, some news on the sale of the property portfolio, which might raise £40m is expected with the interim results. The sale of Club 24 may take until closer to the financial year end in January.

Analysts who have spoken to the company recently say that Next's high street trading is on budget while the home shopping side is ahead of expectations.

Lloyds Chemists advances to £13.6m

By David Owen

LLOYDS CHEMISTS, the UK's second largest retail chemist and drugstore chain, yesterday dispensed a 33 per cent improvement in pre-tax profits for the year to June 30.

The shares climbed sharply to close at 157p – a gain of 19p on the day. "The chemist sector has proved to be very buoyant in a difficult economic climate," said Mr Allen Lloyd, chairman and chief executive.

Taxable profits at the Warwickshire-based company advanced to £13.61m (£10.25m) on turnover ahead 21 per cent at £179.9m (£149.3m).

The group said that the profit figure included £599,000 of property-related items, against £660,000 in 1989. Interest payable rose to £2.28m (£1.67m), although the year-end debt level actually declined to £16.9m from £17.3m.

The results contained only a small contribution from Cross & Herbert, since the £23.2m acquisition of the seventh largest UK chemist chain was not completed until June 21, adding 74 outlets to Lloyds' now 581-store chain.

A revaluation of the group's chemist store licences was conducted, resulting in a substantial increase in net assets and a corresponding reduction in gearing. Without the revaluation, year-end gearing would have stood at 174 per cent, against 86 per cent after taking it into account.

Interest cover for the year was more than seven times. Interest rates on £10m of its borrowings had been fixed for the next two years, it said.

The group suffered some disruption following the destruction by fire in February of 43,000 sq ft of warehousing at its Atherstone distribution centre. It said, however, that it was "fully insured" for the building, fittings, stock and loss of profits. Between £5m and £6m of sales were lost, according to Mr Lloyd.

The company said that the development of 'own label' products continued to be a priority.

Fully diluted earnings per share increased by 24 per cent to 18.4p (14.84p). A final dividend of 2p (1.56p) is recommended, making a total of 2.78p (2.21p).

● COMMENT

Given the current carnage in the retail sector, it is not altogether surprising that the market has been tardy in recognising Lloyds' defensive virtues. The company's high gearing (albeit with interest more than adequately covered) can only have reinforced the inclination to hesitate. Investors might also have been waiting to have their minds put at rest regarding the warehouse fire. The fact remains, however, that prescriptions, medicinal products and basic toiletries remain among the least likely consumer items to be seriously affected by the retail slump. Indeed, the company maintains that even its photographic services have to date come through unscathed. Yesterday's hike in the share price reflects this fundamental defensive strength. Even so, with full-year profits of £16m (excluding property gains) now widely anticipated, the prospective multiple of well below 9 looks distinctly undemanding.

Barry Wehmiller climbs 53%

By Clare Pearson

BARRY Wehmiller International, the specialist packaging equipment group, yesterday announced another strong set of results as pre-tax profits increased by 53 per cent from £8.09m to £12.34m in the year to end-July.

However, Mr Nigel McLean, chairman, yesterday struck a cautious note on prospects.

"Normally . . . we would be confident in predicting a further substantial advance but, in the current economic and political climate, we must express some caution at this early stage of the year."

In February the company bought three businesses, financed by the issue of 7m new shares.

These moves launched it into the manufacture of machines for pressing and coating tablets for the pharmaceuticals industry and, once added to an existing division, made it the world's largest supplier of aerosol filling equipment.

Yesterday Mr McLean said overall demand for aerosol machinery was running at below last year's levels. The other companies acquired in February were achieving satisfactory sales.

Partly boosted by a first full-year contribution from acquisitions made in the US in November 1988, the food packaging equipment division achieved the strongest performance, lifting operating profits to £5.98m (£3.09m).

Vision Systems, which suffered a profits setback in the previous year owing to cost overruns on new product development, recovered to achieve a 20 per cent increase in operating profits to £3.56m (£2.95m).

The company said it expected a further period of sustained growth.

The final dividend is lifted to 4.3p, making 6.5p (5.6p) for the year.

Earnings per share rose by 20 per cent to 27p (22.5p). Turnover was £77.02m (£54.63m).

● COMMENT

Since it joined the market in June 1987, Barry Wehmiller has developed a reputation as a gem among engineers as well as among smaller companies, and these results did nothing to dent the enthusiasm felt for the company by its modest but growing troupe of followers. Even allowing for caution related to the general economic background – though Barry Wehmiller predominantly sells to defensive industries – the company should steam ahead with pre-tax profits rising from £8m to about £14.5m in the current year. After a lower tax charge, thanks to utilisation of losses in the UK and US, earnings per share should work through some 30 per cent ahead. This puts the shares on a prospective p/e of nearly 8.5. That is a hefty premium to the sector, but one that is thought to be well-justified by the company's long-term attractions.

CRT rises to £0.83m as reorganisation continues

By Andrew Jack

CRT GROUP, the training, recruitment and consultancy company, is continuing its transformation of R Smallshaw (Knitwear), the textile manufacturer and dyer into which it reversed last December. Yesterday it announced an acquisition, disposals and first half profits.

"We have achieved all our aims," said Mr Karl Chapman, a director of CRT, "which were to obtain a full quote, buy profitable companies, dispose of the shell and retain significant net cash."

The company is selling all its knitwear businesses in a £2.5m management buy-out. Of that £1.5m is payable in cash on completion, £500,000 in secured deferred loan notes and £500,000 in redeemable preference shares.

It also intends to sell DJ Stuart, an accountancy advertising business, and Link Coffee Services, a coffee distributor, to their respective managements for £1.6m.

CRT said it had agreed to purchase Scope Personnel Services, a computer staff personnel agency based in south east England, for up to £1.75m, including a £250,000 dividend.

The company reported pre-tax profits of £830,000 for its first interim results to June 30. Profits in the comparable period for the knitwear business were £4,000. Turnover was £7.99m (£3.65m) and there was an £85,000 exceptional credit from the sale of plant and machinery.

There was a full six months contribution from Bowerley, a Yorkshire-based sales, training, consultancy and recruitment business, which was the vehicle used for the reverse takeover in November 1989.

Profits also included first-time contributions from two businesses CRT bought during the half year for a little less than £3m. Software Personnel, a Birmingham-based computer contract staff agency was bought in March and Link, a training company, in June.

Earnings per share were 1.81p (0.16p). There is no dividend.

Hughes gives up option

HUGHES FOOD Group, the food supply and services company, has decided to relinquish its option to buy G Barraclough, a soft drinks manufacturer, writes Clay Harris.

In return, Hughes will receive £5.25m cash in instalments over the next 2½ years from a private company controlled by Mr John Hughes, its chairman. It will also be entitled to receive an additional payment if Barraclough is sold for more than £5.25m before March 1993.

If Hughes had exercised the option, granted at no cost in December 1988, it would have had to pay up to £4.8m. Independent directors decided against this because of the difficulty of raising funds, even though Barraclough would have "integrated well" into Hughes' food activities.

Mr Hughes has never explained why he has been so generous towards other shareholders, apparently without recompense, since he is paying to keep what is already his, without enhancing his interest in the quoted company.

Palma near £1m in red

Despite an improved performance by its troublesome Clothkits business, Palma Group, the Leicester-based textile company, incurred a loss of £909,000 in the seven months to end-July.

The company has changed its year-end to January 31. Comparable figures for the previous interim period showed a loss of £403,000.

Group turnover amounted to £15.54m (£14.48m). Losses per share emerged at 2.75p (1.59p) and the interim dividend is passed (1.2p).

Much of the increased deficit was attributable to the Montfort knitwear subsidiary, since closed, where losses totalled £335,000. Costs associated with the closure and sale of assets were taken below the line as an extraordinary charge, after tax, of £235,000. Palma said that cash generated by the closure would amount to more than £500,000.

Mr Peter Bailey, chairman, said that Clothkits – which traded with 5 more stores in the period – was taking longer to restore to profits than had been hoped. Nevertheless, the business increased sales by 20 per cent and gross profits by 57 per cent. Its trading loss had been reduced by more than £1m compared to the first half of 1989.

COMMODITIES AND AGRICULTURE

'Chaos' charge as Soviet oil refining minister quits

By Quentin Peel in Moscow

THE SOVIET minister for the petrochemicals and oil refining industries, has announced his surprise resignation, blaming chaos in the administration and a collapse of government authority.

Mr Nikolai Lemayev's ministry has recently come under sharp criticism for failing to produce enough refined fuel to supply Soviet needs, in spite of the country's huge oil and gas production. It is also the ministry responsible for the gigantic petrochemical projects planned for Western Siberia and Kazakhstan, many of which have now been shelved in favour of more immediate consumer projects.

He said his decision to quit was caused by his inability to have any orders carried out in the current climate of "anarchy" in the Soviet system.

At the same time he predicted that no successor would be appointed as minister, as part of the campaign to abolish "industrial" ministries in the government and to give individual enterprises freedom from centralised orders.

Mr Lemayev's interview, published in the government newspaper Izvestia, reveals more clearly than any recent development the extent to which central government authority has evaporated in recent months.

"Neither (ministerial) instructions, nor state orders, can change anything," he said. "In one case, the orders of local authorities not to obey the centre work instead of the ministry's order. In another case, it is the dictatorship of the supplier, who insists on being paid in kind, especially in goods in short supply.

"In a third case, green movements are forcing enterprises to close. This is anarchy."

He said that many ministry employees had left to work in co-operatives and joint ventures. "Those who are left do not see any future for themselves. The whole atmosphere in society now is against them."

The minister admitted that petrol had to be imported at a cost of $400 a tonne. However, he criticised the government for seeking to tackle the problem by ordering increased crude oil production, instead of increased refinery capacity.

"It means giving the oil workers more pipes, pumps and other equipment (all currently in short supply), and also an extra Rbs16bn next year," he said. Installing 10 more oil refining units to produce 12m tonnes of refined products would cost little more than Rbs1bn.

Mr Lemayev, who has been closely involved with both international oil and petrochemical companies through his ministry, suggested that he may well move to the "secondary refining" industry, in which a number of foreign companies have expressed investment interest.

As for a successor, "I think there will not be any," he said. The major Soviet enterprises in the chemicals and refining industry had proposed disbanding the whole ministry, and turning themselves into joint stock companies.

"Seven major corporations are envisaged, whose administration will be given some of the rights of utilities.

"To be concise, it is to be market economy in our branch," Mr Lemayev said. "We want a new working system to be left behind us."

Tin producers agree 6% cut

THE ASSOCIATION of Tin Producing Countries has decided to set its export quotas 6 per cent lower in 1991 at 95,849 tonnes, reports Reuters from Cochabamba.

A communique confirming the decision was due to be released last night after receiving formal approval from the ATPC's annual ministerial conference here.

Brazil, the world's largest supplier, declined to take up full membership of association this year but agreed to reduce its tin production by the same percentage. Until now Brazil has only agreed to comply with a voluntary ceiling on official exports that did not cover illegal production.

According to the draft communique the extension of what the association calls a "supply rationalisation scheme" during 1991 will result in a reduction of overhanging stocks by more than 5,000 tonnes.

The seven ATPC members agreed that the total quota would be distributed as follows: Malaysia 28,556 tonnes, Indonesia 28,376, Thailand 17,116, Bolivia 12,611, Australia 6,937, Zaire 1,351 and Nigeria 901 tonnes.

China, the world's fourth largest producer and only an observer at the ATPC, pledged to continue holding its exports to no more than 15,000 tonnes in 1991, the communique said.

The meeting discussed the association's failure to deplete world tin stocks, estimated to be 45,300 tonnes at the end of June, equivalent to 12.5 weeks of world consumption.

"The conference noted that the stock level remained high and that the market continued to face the threat of over supply," the communique said.

LME WAREHOUSE STOCKS (As at Monday's close) tonnes

Aluminium	−1,025	to 134,975
Copper	−650	to 186,925
Lead	+25	to 42,900
Nickel	+36	to 3,480
Zinc	+3,700	to 64,425
Tin	−90	to 11,950

Record year predicted for EC sugar

By Lucy Kellaway in Brussels

EUROPEAN SUGAR producers are heading for record production this year, with a total output of about 14.7m tonnes, the European Commission predicted yesterday in its annual study of the sugar market. Yield of sugar per hectare has never been higher, with an average figure of 7.64 tonnes, the study shows.

The commission said that production at this level would overshoot both the Community's sugar quotas by some 2.8m tonnes. The A quota covers the community's own needs and qualifies for the full support price, while the smaller B quota covers most EC exports, to which a lower support price is applied.

The Commission stressed yesterday that quotas for East Germany – the subject of a row between member states, which fear that over-generous quotas will simply add to already mounting surpluses – had been left out of its reckoning.

The report also shows a strong rise in sugar consumption – up some 203,000 tonnes to 11.05m tonnes for the year 1990-1991. With falling consumption by the chemical industry, the figures reflect a large rise in the consumption of sweet foods. However, the projected increase in consumption falls well short of the 414,000 tonne rise indicated for EC production. For the 1990-91 season EC exports are likely to be some 4.6m tonnes in total, of which about 2.9m will be covered by quotas.

Inauspicious timing for platinum project

By Philip Gawith in Johannesburg

AS OFTEN happens, the announcement last Friday of the R1.34bn (£185m) Platreef project to produce about 200,000 troy ounces of platinum a year by the end of 1994 coincided inauspiciously with platinum closing that day at its lowest price in four years.

Although there is no obvious connection between the two events, the combination raises the question of oversupply. The consensus locally is that such a risk is indeed real if all producers go ahead with their announced plans either to expand existing production or to develop new mines.

According to Mr Alex Wagner of stockbrokers Davis, Borkum Hare, South Africa produced about 2.8m ounces of platinum in 1989 out of a world total of 3.1m ounces. Estimates are that approximately half of South Africa's production comes from Rustenburg Platinum and about 40 per cent from Impala Platinum.

If all goes according to plan then a further 1m ounces of platinum could be supplied by South African mines by the mid-1990s. Rusplats is to raise mill throughput at Amandebult by 140,000 tonnes a month with a smaller 30,000-tonnes-a-month expansion at Union Section. Together these should yield about 165,000 ounces of platinum a year. The Platreef project, a Rusplats/Lebowa Plats joint venture, will yield roughly 200,000 ounces a year. Together with the increased monthly milling rate at Atok, the two JCI-run groups (Rusplats and Lebowa Plats) could add a further 400,000 ounces of platinum a year by the middle of the decade.

Impala has announced that it plans to increase output from 1.08m ounces in 1990 to 1.35m by 1995, of which 75,000 ounces a year will come from the new mine at Messina. Barplats aims to bring 170,000 ounces of platinum to the market by 1992 from their Crocodile River and Kennedy Vale mines, possibly with a further 140,000 ounces by 1996. Gold Fields's Northam aims to supply 250,000 ounces annually by 1993 and Lonrho is also expanding at its Karee and East Plats projects.

Whether all such production materialises or not, there can be little doubt that the platinum market will be highly competitive for the foreseeable future. Mr Todd Bruce, marketing director at Rusplats, says his company has two strategies to deal with the possibility of oversuppply and a low price. The first focuses on the supply side: "Rustenburg and Lebowa's response is to drive unit costs further down the cost curve so that we comprise the bulk of the lower end of the cost-curve."

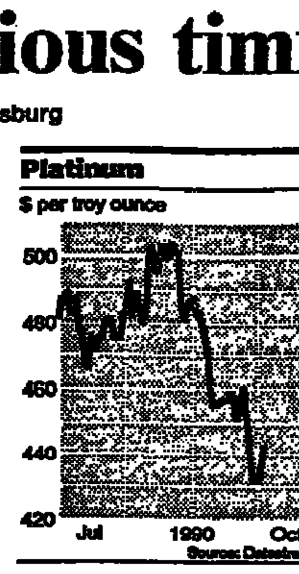
Then there is the ability for producers to work on encouraging demand. Mr Bruce says he believes it is the responsibility of all producers to engage in generic promotional activities in proportion to their market share. Expansion and promotion of the platinum jewellery market, especially in Japan, which is estimated to comprise nearly 90 per cent of the market, is an example Mr Bruce cites. Markets also need to be diversified – West Germany, Italy and Hong Kong have recently received promotional attention.

Mr Wagner says he believes the market is excessively pessimistic and that the price should improve within the next two months. He also points out that local producers have diversified sources of revenue that help offset a low platinum price.

Existing producers sell a lot of their production at a contract price of about $550 an ounce and hence are not fully exposed to the current low price, Mr Wagner points out. In addition, revenues from sales of rhodium (a by-product of platinum mining) will be more than twice what estimated levels following a hectic price rise in the first part of the year.

Finally, revenues from base metal by-products, copper and nickel, will also have been swelled by high prices in the first half of the year.

Platinum



THE PLATINUM price bounced by $11 to $442.50 a troy ounce on the London bullion market yesterday as oil prices eased further from the recent peaks. In contrast to gold the Gulf crisis has been bearish for platinum, which is increasingly seen as an industrial metal, rather than an investmewnt medium. The recession threat to the automobile industry has raised doubts about future demand for exhaust-cleaning catalytic converters, now the biggest single use for platinum.

Steel gloom casts shadow over vanadium venture

South Africa's new producer faces an unpromising market writes Philip Gawith

WHEN SOUTH African President F.W. de Klerk opened the new Usko vanadium recovery plant in his home town of Vereeniging last week, the directors were doubtless hoping that he would be able to apply his celebrated political balm to the faltering vanadium market.

Currently the spot price for vanadium is just below $3 a lb of vanadium pentoxide, compared with nearly $12 in the second quarter of 1989, about the time that the new plant was commissioned.

The contract price set by Highveld Steel and Vanadium, the world's largest vanadium producer, for the third quarter 1990 is $3.35 a lb, up from a low of $2.50 in the first quarter, but well below the $7.50 of the second quarter of 1989. Most vanadium changes hand at contract rather than spot prices.

Usko's new vanadium recovery plant should have a significant impact upon the world market. According to the South African Minerals Bureau South Africa produced 31,473 tonnes of vanadium in 1988 out of total western world production of 45,641 tonnes. The Soviet Union and China are estimated to have produced 26,000 tonnes between them that year.

The new Usko plant has an initial capacity of about 5,000 tonnes a year, a level of production which it expects to achieve within the next few months. This will boost total world vanadium production by about 7 per cent. If demand should warrant it, this could be boosted to 9,000 tonnes a year in the space of four to six months with capital expenditure of only R1m (£140m). That seems unlikely, however, given that the industry already has spare capacity.

Mr Les Boyd, chairman of Highveld Steel and Vanadium, says that Usko is merely aggravating an existing over-capacity situation. He observes that Highveld alone has more spare capacity than Usko is commissioning.

Vanadium is primarily used as an additive in the steel-making process to fulfil highly specialised requirements. Small amounts impart valuable properties such as tensile and torsional strength, toughness and resistance to abrasion. These are indispensable characteristics of spring steels, tool steels, permanent magnets, wear-resistant cast irons and high-strength low-alloy steels.

When there is a high market demand for steel it pays producers to use vanadium to strengthen steel rather than to use a heat process. This is because the process is quicker and also because the small amounts of vanadium required are only a fraction of the total cost.

The steel industry uses about 85 per cent of available vanadium, 9 per cent is used as as an additive to non-ferrous alloys, 3 per cent in chemicals and ceramics and 1 per cent in cast-iron production.

Given this pattern of use, the vanadium market is obviously going to track the steel market closely. This, analysts believe, gives reason for caution regarding Usko's prospects. They point out that the world steel market is unlikely to have another record year like 1989 for some time, and even then there was easily enough capacity to serve the needs of vanadium users. Mr Boyd estimates that 1990 world steel production will be 2.5 to 3 per cent down on 1989 levels.

Mr Johann Kaltwasser, managing director of Usko, puts a brave face on this unpromising scenario. Although accepting that its production will quite probably drive the price down further, he maintains that there is still a vanadium shortage that will drive the price up again. Low prices, he maintains, will also dissuade speciality steel producers from switching to substitutes niobium and molybdenum.

Mr Kaltwasser discounts the anticipated decline in world steel production saying that as vanadium is used in more alternative uses outside of steel, so its price tracks the steel market less closely. Finally, he points out that Usko is obviously taking the long view and will not be distracted by a weak price in the short term.

This is a plausible position for two reasons. Firstly, the low cost of establishing the plant means that Usko is under pressure to produce big profits quickly. It maintains that its venture with Rhombus Vanadium Holdings (Rhovan), which mines the ore, has cost R66m, whereas a similar plant on a greenfield site would cost in the order of R300m.

Secondly, like Highveld, Usko has other established activities, in the form of steel and non-ferrous metal divisions, profits from which could provide a buffer should the vanadium operation take time to get off the ground.

The Usko vanadium recovery plant had its origins in Usko's desire to diversify its product range, and the decision to adapt an under-utilised pelletising unit, used in the production of sponge iron, for use as a vanadium roaster. Vanadium seemed an attractive prospect in early 1989 when, as with ferrochrome, demand took off in the wake of vigorous growth in the world specialist steel market.

Hence the joint venture with Rhovan, which will supply the magnetite ore from an open cast mine near Bethanie in Bophutatswana. Usko has a 20 per cent indirect stake in the mine which cost R35m to establish. It spent R19m on the recovery plant in Vereeniging.

Naturally, there is good money to be made. Of South Africa's 1989 production of 33,144 tonnes, 29,550 tonnes were exported at a value of R703m.

What remains to be seen is the extent to which Usko's advent to the market will affect prices and levels of return in the industry.

MINOR METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 1,650-1,700 (1,640-1,700).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 2.80-3.00 (same).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 2.40-2.60 (2.50-2.80).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 12.00-12.50 (11.80-12.40).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 190-210 (same).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 2.85-2.92 (2.86-2.92).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 4.80-5.50.

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO, cif, 37-50 (same).

VANADIUM: European free market, min. 98 per cent, $ a lb VO, cif, 2.75-2.95 (same).

URANIUM: Nuexco exchange value, $ per lb, UO, 11.45 (same).

WORLD COMMODITIES PRICES

MARKET REPORT

COPPER recovered some of Monday's losses on the LME yesterday, although news that Southern Peru was lifting its force majeure prompted a retreat from the highs, dealers said. Market sentiment was buoyed by short-term factors such as a widening in the backwardation (premium for cash metal) and caution ahead of today's option declarations. News of the 650-tonne fall in LME warehouse stocks was not a major factor as the overall figure is high at 186,925 tonnes, dealers said. Nickel fell sharply again, with three-month metal breaching the $9,250 a tonne chart support level in the morning.

Despite a fairly small 36-tonne rise in LME stocks, traders expect regular shipments of Soviet physical metal, and this undermined sentiment. Zinc prices fell sharply in the morning following a rise of 3,700 tonnes in warehouse stocks to 64,425 tonnes – the highest level for eight months. However, prices rallied later to close only slightly down on the day. On the London bullion market gold fell below $390 a fine ounce, while silver touched a 13-year low of around 467 cents an ounce as a thin market found minimal buying interest.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$31.70-1.85y	-1.77
Brent Blend (dated)	$36.25-6.35	-2.25
Brent Blend (November)	$35.15-5.25	-1.92
W.T.I. (1 pm est)	$34.70-4.80y	-2.03

Oil products (NWE prompt delivery per tonne CIF) + or - [illegible]

SUGAR – London FOX ($ per tonne)				
Raw	Close	Previous	High/Low	
Dec	236.00	234.00	245.00	235.00
Mar	225.40	225.80	229.40	225.80
May	227.80	228.80	230.00	227.80
Aug	228.20	227.00	229.40	
Oct	228.20	228.00	229.40	
Dec	228.20		223.00	
Mar	230.80		232.00	231.00
White	Close	Previous	High/Low	
Dec	303.2	302.0	304.0	302.0
Mar	301.6	300.5	302.5	300.8
[illegible]				

COCOA – London FOX (£/tonne)				
	Close	Previous	High/Low	
Dec	725	740	733	721
Mar	762	775	772	760
May	786	797	791	785
Jul	805	819	811	804
Sep	827	841	830	825
Dec	853	865	852	851
Mar	877	888	879	877

Turnover: 5496 (5341) lots of 10 tonnes. ICCO indicator prices (SDRs per tonne). Daily price for Oct 1 965.79 (962.38) 10 day average for Oct 2 977.45 (981.08)

COFFEE – London FOX ($/tonne): [illegible]

POTATOES – BFE (£/tonne): [illegible]

SOYABEAN MEAL – BFE (£/tonne): [illegible]

FREIGHT FUTURES – BFE ($10/index point): [illegible]

GAS OIL – IPE ($/tonne): [illegible]

CRUDE OIL – IPE ($/barrel): [illegible]

GRAINS – BFE (£/tonne): [illegible]

PIGS – BFE (Cash Settlement p/kg): [illegible]

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)						
	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 15,886 lots
Cash	1990-5	1925-30	1967/1965	1965-6		
3 months	1855-6	1826-8	1872/1845	1855-6	1850-2	73,385 lots
Copper, Grade A (£ per tonne)						Total daily turnover 19,767 lots
Cash	1502-4	1474-5	1498/1495	1499-0		
3 months	1443-4	1431-2	1447/1426	1439-9	1434-6	116,070 lots
Lead (£ per tonne)						Total daily turnover 2,054 lots
Cash	408-11	405-7	410/410	410-0.5		
3 months	416-8	415-6	420/416	418-9	416-7	11,219lots
Nickel ($ per tonne)						Total daily turnover 3,009 lots
Cash	9350-450	9775-825	9200/9100	9150-200		
3 months	9000-50	9475-80	9475/8800	8890-900	9075-100	8,904 lots
Tin ($ per tonne)						Total daily turnover 2,570 lots
Cash	6280-300	6360-80	6318/6310	6305-15		
3 months	6320-30	6390-400	6400/6260	6320-30	6280-300	8,282 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 6,522 lots
Cash	1375-80	1379-81		1346-8		
3 months	1364-6	1369-71	1375/1325	1341-2	1364-5	19,019 lots

LME Closing £/$ rate: SPOT: 1.8845 3 months: 1.8538 6 months: 1.8226 9 months: 1.7898

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	388½-389	206-206½
Opening	389½-390	206¾-207¼
Morning fix	389.25	206.558
Afternoon fix	387.85	206.064
[illegible]		

TRADED OPTIONS: [illegible]

New York

GOLD 100 troy oz.; $/troy oz.				
	Close	Previous	High/Low	
Oct	389.1	388.6	388.5	385.7
Nov	391.5	389.1	0	0
[illegible]				

PLATINUM 50 troy oz; $/troy oz.: [illegible]

SILVER 5,000 troy oz; cents/troy oz.: [illegible]

HIGH GRADE COPPER 25,000 lbs; cents/lbs: [illegible]

CRUDE OIL (Light) 42,000 US galls $/barrel				
	Latest	Previous	High/Low	
Nov	34.40	37.09	36.45	34.35
Dec	35.81	37.31	35.81	35.81
Jan	34.25	35.75	34.40	34.25
Feb	32.90	34.40	33.35	32.90
Mar	31.85	33.15	32.30	31.85
Apr	30.50	32.00	31.25	30.50
May	29.45	30.95	30.20	29.45
Jun	28.50	30.00	29.40	28.50
Jul	27.70	29.20	28.50	27.90
Aug	27.05	28.55	27.75	27.05

HEATING OIL 42,000 US galls, cents/US galls				
	Latest	Previous	High/Low	
Nov	9315	10008	9950	9250
Dec	9549	10349	9849	9849
Jan	9753	10153	9850	9753
Feb	9253	9653	9425	9253
Mar	8773	9173	8950	8773
Apr	8303	8703	8500	8303
May	7968	8368	8230	8033
Jun	7743	8143	8050	7925
Jul	7643	8043	7980	7850
Aug	7693	8093	7990	7920

COCOA 10 tonnes;$/tonnes				
	Close	Previous	High/Low	
Dec	1260	1240	1267	1223
Mar	1311	1288	1315	1275
May	1340	1316	1343	1320
Jul	1369	1343	1354	1354
Sep	1400	1376	0	0
Dec	1437	1409	0	0
Mar	1460	0	0	0

COFFEE "C" 37,500lbs; cents/lbs: [illegible]

SUGAR WORLD "11" 112,000 lbs; cents/lbs: [illegible]

COTTON 50,000; cents/lbs: [illegible]

ORANGE JUICE 15,000 lbs; cents/lbs: [illegible]

INDICES: [illegible]

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel				
	Close	Previous	High/Low	
Nov	606/2	604/4	608/4	604/0
Jan	621/0	619/4	623/2	619/2
Mar.	634/2	632/4	636/4	632/0
May	644/2	641/6	646/6	642/4
Jul	652/2	649/4	655/0	650/0
Aug	647/0	643/4	650/0	645/4
Sep	628/0	623/0	628/0	626/0
Nov	616/2	614/4	616/2	614/6

SOYABEAN OIL 60,000 lbs; cents/lb				
	Close	Previous	High/Low	
Oct	22.62	22.74	22.81	22.60
Dec	22.79	22.99	23.10	22.78
Jan	23.08	23.29	23.33	23.07
Mar	23.49	23.73	23.77	23.48
May	23.79	24.01	24.05	23.78
Jul	23.90	24.13	24.10	23.89
Aug	23.90	24.10	24.00	23.90
Sep	23.77	24.01	23.90	23.75

SOYABEAN MEAL 100 tons; $/ton				
	Close	Previous	High/Low	
Oct	175.5	174.3	176.0	174.3
Dec	180.8	179.9	181.5	179.7
Jan	182.7	181.8	183.2	181.8
Mar	185.4	184.8	185.8	184.6
May	186.7	186.0	187.0	185.8
Jul	187.5	187.3	188.5	187.1
Aug	187.2	187.0	187.2	187.0
Sep	184.3	185.0	185.6	184.3

MAIZE 5,000 bu min; cents/56lb bushel: [illegible]

WHEAT 5,000 bu min; cents/60lb-bushel: [illegible]

LIVE CATTLE 40,000 lbs; cents/lbs: [illegible]

LIVE HOGS 30,000 lb; cents/lbs: [illegible]

PORK BELLIES 40,000 lbs; cents/lb: [illegible]

LONDON STOCK EXCHANGE

London follows the global advance

Account Dealing Dates		
*First Dealings:		
Sep 24	Oct 8	Oct 22
Option Declarations:		
Oct 4	Oct 18	Nov 1
Last Dealings:		
Oct 5	Oct 19	Nov 2
Account Day:		
Oct 15	Oct 29	Nov 12

*New-time dealings may take place from 9.00 am two business days earlier.

THE UK equity market joined in the advance by global stockmarkets prompted by Tokyo's 13.24 per cent leap overnight, but it trailed behind the gains in both the Japanese and US markets. Trading volume improved somewhat in London, but dealers said that much of the business consisted of "retail selling into strength."

Share prices were marked smartly higher at the opening as market makers decided not to wait for buyers to appear. In addition to Tokyo's record daily gain overnight, London responded to heavy falls in crude oil prices after President Bush appeared to hint at some possibilities of negotiations on the Gulf crisis. There was also the 2.6 per cent rise on Wall Street overnight.

However, the early gain failed to encourage investors. The stock futures market played a more subdued role, with the December contract on the Footsie remaining just below fair value. Institutions were unwilling to push the futures contract higher in an investment climate still clouded with uncertainty.

The sharp opening gain of 44.5 FT-SE points proved to be the day's peak, and some institutional sellers were soon apparent. London traders took the view that the rise in the Nikkei Average was too "artificial" to be trusted and waited to see how Wall Street would behave.

The new session in New York saw an early gain of 35 Dow points soon trimmed to 27 in London trading hours. Unsettled also by hints of new pressures in the retail sector, London ended well off the top, having failed to sustain an attempted rally.

At its final reading of 2,058.5, the FT-SE Index showed a gain of 27.7 points, or 1.4 per cent on the day – a modest gain, measured against the performances of the Japanese and US markets. Seaq volume rose to 430.2m shares from Monday's 328.2m; while yesterday's total was an improvement on the poor levels of recent days, it was below anything like bull market levels.

Turnover in several blue chip stocks was also unexciting, with ICI trading only 1.3m shares and neither SmithKline Beecham nor Unilever able to reach the 1m mark. In the case of Glaxo (4.4m shares) and Reuters (2.7m), the increased trading volume included significant selling pressure and both share prices closed well below their opening levels.

The modest brightening in the international scene was balanced by renewed uneasiness over the outlook for the domestic economy. The spotlight returned to retail stocks where Next, the high street fashion chain, gave ground in fairly heavy turnover. Shares in Polly Peck International, the fruit and consumer electronics group which was removed from the FT-SE 100 stock list on Monday, remained suspended.

FINANCIAL TIMES STOCK INDICES

	Oct 2	Oct 1	Sept 28	Sept 27	Sept 26	Year Ago	1990 High	1990 Low	Since Compilation High	Since Compilation Low
Government Secs	78.47	78.25	78.09	77.98	78.13	84.69	84.20 (2/1)	74.13 (30/4)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	86.49	86.41	86.88	86.87	86.95	95.19	92.91 (8/1)	83.80 (30/4)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1594.7	1573.0	1535.7	1548.1	1532.6	1899.3	1968.3 (3/1)	1510.4 (24/9)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	184.8	189.9	200.7	198.1	197.5	208.9	378.5 (6/2)	167.9 (15/6)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2058.5	2030.8	1990.2	2009.1	2000.0	2318.6	2463.7 (3/1)	1990.2 (28/9)	2463.7 (3/1/90)	986.9 (23/7/84)
Ord. Div. Yield	5.97	6.07	6.21	6.15	6.20	4.30				
Earning Yld %(full)	12.51	12.71	13.02	12.89	13.00	10.30				
P/E Ratio(Net)(☆)	9.68	9.53	9.31	9.40	9.32	11.70				
SEAQ Bargns 4.45pm	20,456	18,383	17,584	18,128	16,854	25,346				
Equity Turnover(£m)†	-	581.10	734.69	765.52	673.15	882.62				
Equity Bargains†	-	17,167	16,427	17,298	16,209	25,098				
Shares Traded (ml)†	-	284.1	331.0	378.7	335.9	409.1				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55; Basis 1000 FT-SE 100 31/12/83. ☆ Nil 9.59

Ordinary Share Index, Hourly changes — Day's High 1613.9 — Day's Low 1590.9

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1613.9	1602.9	1603.7	1598.2	1596.8	1598.3	1600.0	1596.1	1592.8

FT-SE, Hourly changes — Day's High 2075.3 — Day's Low 2052.8

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2075.3	2063.9	2064.5	2059.1	2061.1	2062.4	2064.0	2061.6	2055.6

GILT EDGED ACTIVITY

Indices*	Oct 1	Sept 28
Gilt Edged Bargains	101.7	95.4
5-Day average	93.4	90.9

*SE Activity 1974.
†Excluding intra-market business & Overseas turnover.

London report and latest Share index: Tel, 0898 123001.

Setback in retail sector

THE DIFFICULT conditions in the retailing sector were underlined by the 32 per cent fall in Sears' interim profits to £62.4m. Sears shares eased 4 to 79p as 8.1m changed hands.

Once the effect of its property interests were stripped out, profits were £41.8m. This compared with analysts' expectations of £50m and £71.2m last time.

However, Sears maintained the interim dividend of 1.52p, which provided support for the share price. Analysts lowered full-year forecasts, with County NatWest cutting from £152m to £110m and Hoare Govett from £134m to £112m.

Trafalgar fears

Trafalgar House faced another downgrading yesterday. Mr James Ritchie of Salomon Brothers expects the dividend to be cut and earnings per share to fall to 25p from 33.9p. He estimates a halved final dividend of 4.8p for a full-year payout of 13.6p, compared with the previous year's 17.6p. Predictions for 1991 are similar.

The analyst believes the dividend cut will be necessary to conserve cash flow and to allow the group to keep its debt/equity balance in check. While other Alpha-rated stocks were displaying strength yesterday, Trafalgar shares fell 6 to 194p in moderate turnover.

Security alarm

Automated Security (Holdings) (ASH) was among the market's casualties, with the shares retreating to close a net 19 lower at 188p amid speculation that *ADT*, the conglomerate, may be about to sell its shareholding in the group. ADT was revealed in September 1989 as holding a 4.9 per cent stake in ASH but this has been reduced to below 3 per cent. ASH specialises in the design, manufacture, installation and maintainance of security systems.

There was also speculation in the market that ADT might be about to launch a full bid for Lep Group, another companyinvolved in the security business. ADT said yesterday it had increased its stake in Lep by 4.25m shares, taking its holding to 29.88m shares, or 21.8 per cent. ADT shares moved up 4 to 144p on the news.

Reuters moved up again with a heavy turnover of 2.7m shares on the back of a strong Wall Street and an announcement that the company had signed a marketing agreement with Effix Systems of Paris for worldwide distribution of Effix's trading room software. Shares were up 61 at one stage but closed up 40 at 828p.

Glaxo jumped 31 to 788p on a 4.4m turnover reflecting busy buying in New York and confidence about new drugs in the research and development pipeline, particularly a new anti-migraine drug.

Another retreat by crude oil prices, as specialists increasingly took the view that an outbreak of war in the Middle East is slightly less likely now after recent statements from the US and Iraqi leaderships, ensured another bout of underperformance from the oils sector.

BP lost 3 to 344p on turnover of 5.3m shares and Lasmo gave up 4 to 449p on 1.1m. There was good support, however, for British Gas, which added 4 at 214½p on 3.3m, and Shell, 3½ ahead at 457½p on 3.7m. The latter has outperformed most of the oil stocks in recent sessions. Ultramar shrugged aside worries about much more stringent pollution controls in California, and settled 3 firmer at 342p.

Clyde Petroleum eased 2 to 187p after the $100m issue of loan notes to US insurance companies.

Burmah-Castrol maintained its strong showing, closing a further 12 higher at 489p, but dealers were sceptical of stories that SHV, the privately owned Dutch group, had been adding to its last-revealed stake of 9.14 per cent.

"Recent turnover in Burmah would indicate that if SHV had attempted to add to their stake – and I'm doubtful of that – then it would have been by minimal amounts; the shares are responding to being oversold, nothing more," said one specialist.

The high street banks continued to attract heavy two-way turnover. Barclays, where almost 6m shares changed hands, were the busiest stock in the sector, and the shares moved ahead strongly to close 11 firmer at 332p. TSB, on turnover of 4.6m, edged up 2½ to 122½p, despite the recent profits downgrades.

Standard Chartered, the most volatile of the banks in recent sessions, was not far behind with 4.3m shares traded; the stock settled a fraction off at 285p with the market increasingly nervous late in the day when a line of 1m shares was traded. Lloyds put on 9 to 256p on 1.6m shares but Midland remained unsettled, closing marginally off at 197p on 1.3m shares. Abbey National, whose defensive qualities have kept the share rating at the top of the list of banks, rose 4 to 201p.

FT-A All-Share Index

1150 1100 1050 1000 950 900

Equity Shares Traded

Turnover by volume (million)
Excluding:
Intra-market business & Overseas turnover

Includes Enterprise Oil

600 400 200 0

Aug Sep Oct

Bank of Scotland, due to report interims today – Hoare Govett has forecast pre-tax profits of £106m against last time's £99m – managed an improvement of 2 to 107p.

Life assurances progressed across the board, with demand stimulated by a bullish circular issued by Mr John Marr at Charterhouse Tilney. Mr Marr said the Association of British Insurers' proposals for a new method of reporting life companies' profits were extremely bullish for the valuation of life stocks and that he expected a very significant increase in reported earnings, a major capital transfer to shareholders' balance sheets and a single-figure price earnings ration for the sector. Mr Marr anticipated "a major rerating for the sector." Legal & General, one of Charterhouse's best buys in lifes, added 6 to 373p.

Guardian Royal Exchange's recent outperformance was brought to a halt, the shares closing unaltered at 181p, but other composites rose strongly, especially General Accident which added 9 at 447p.

The insurance brokers responded to persistent de,mamnd from Hoare Govett and a strong buy recommendation issued by US investment bank Morgan Stanley, whose Chris Pountain said a fall in asset markets may have brought forward an improvement in insurance rates. There was good demand for Sedgwick whose shares advanced 11 to 185p on exceptionally heavy turnover of 5.2m.

Building stocks were marked up at the start but finished below the day's best on a lack of buyers. Nevertheless, Redland moved up 11 to 528p and RMC closed 19 higher at 545p. Both were influenced by the potential gains to be made from increased demand for materials for East Germany's reconstruction.

A string of company results evoked mixed reactions. While Raine Industries moved 5 firmer to 87p on an increased annual pre-tax profit of £27.3m from £23.3m and a final dividend of 3.75p compared with 3.5p, Ibstock Johnsen finished unchanged at90 despite a fall in pre-tax interim profits to £22.2m from £31.8m. Much of the downturn was attributed to a £3.8m debt provision for plant closures and a £524,000 loss in the US compared with a £4.04m profit previously.

BPB Industries added 5 to 190p, following a Monopolies and Mergers Commission report that the company no longer has a monopoly in the supply of plasterboard, its market share having fallen from 96 per cent to 65 per cent.

An increase in the year's dividend to 8.25p from 7.5p failed to balance in the market for a drop in Celroy profits to £2.8m from £4.3m. Despite a strong balance sheet and very low gearing, the company stressed that UK interest rates would have to decline before there was an upturn in profits from housing sales, and the price fell 5 to 105p.

Amersham International, the health and household group, suffered when a leading securities house reduced its full-year profit expectations to £20.5m. The forecast, made basically on currency grounds, marks a new low among current market estimates and the shares reacted with a fall of 10 to 286p. The interim figures are due next month.

Chemical group Laporte drew support and rose a further 7 to 457p as Goldman Sachs, the US investment bank, accorded the stock a buy rating. With the benefit of a strong balance sheet, following this year's rights issue, and with resilient earnings prospects, the shares are attractive in the current environment, said Goldman.

Leading breweries were encouraged by BZW taking a more upbeat stance on immediate prospects, after having been broadly neutral for the past three months. Of the stocks receiving "overweight" recommendations, Grand Metropolitan, also a Panmure Gordon buy, advanced 11 to 552p and Guinness rose 12 to 689p. Scottish & Newcastle gained 11 to 340p on reports that it now owns nearly 80 per cent of Center Parcs' fully diluted equity.

British Aerospace closed down 4 at 559p on a turnover of 3.5m after an earlier jump to 580p. Analysts said there was some profit-taking as investors sought to take advantage of a peak in what is seen as one of the more volatile stocks in the index.

British Steel moved up 5 to 128p on a heavy turnover of 9.9m after bullish presentations by the company and site visits by analysts.

The telecoms/electronics stocks were broadly higher amid increasing turnovers. The Racal twins progressed with Electronics up 3½ to 143½p on turnover of 6.8m shares, while Telecom advanced 17 to 254p following strong support from Goldman Sachs.

British Telecom performed badly, unsettled by worries that Oftel may cap international call prices, and eased 4 to 264p, on 8.1m. Cable & Wireless were undaunted by worries about call pricing and the duopoly review expected in November, and moved up 8 more to 425p.

Takeover speculation remained focused on STC, which added a further 5 to 256p on 2.4m. Amstrad, due to report next week, edged up 3 to 53p.

The price of Eurotunnel rose 12 to 400p as confidence over the proposed Channel tunnel refinancing grew and the company announced good progress with the tunnel in September.

Next continued to suffer from talk that it was facing difficult trading conditions. There was also concern about its ability to sell its property and financial services interests. Next closed 6¼ lower at 22p on heavy turnover of 6.2m. Lloyds Chemists rose 19 to 157p after final profits of £13.6m compared with £10.2m the previous year. Analysts had expected £12m.

Hopes that the underperformance of Gestetner since the late-June interim figures was coming to an end nudged the price higher to 185p. Mr Richard Harwood of Schroders Securities suggested that the shares would be significantly higher by the time the annual results are released in January.

Leather group Pittard Garner dropped to 41p before rallying to end 5 down on balance at 44p after cutting the interim dividend payment and revealing an interim loss. Rival leather concern Strong & Fisher, holder of a 27 per cent stake in Pittard following an abortive bid last year, was unmoved at 20p.

There was a turnover of 4.9m shares in Maxwell Communication in anticipation of an announcement by Mr Robert Maxwell scheduled for yesterday evening. The statement was expected to detail the sale of up to £450m in assets which must be disposed of to reduce a £1.9bn debt. Analysts said the volume was made up of two-way trading. The price remained stable, hardening ½ to 150p.

Property stocks failed to benefit from the firmer market tone. Leading companies were marked up at the start of trading, but there was no interest from institutional buyers. The mood of the market was sombre as traders assessed the outlook for a sector still depressed by high UK interest rates.

A sharp move higher in Christies International gave rise to speculation that ADT was increasing its stake, last reported to be 22 per cent. Christies closed 22 up at 249p and ADT ended 3½ better at 144p. Fellow auctioneer Sotheby's Holdings "A" also showed up well, rising 38 to 663p.

■ Other Market statistics, including the FT-Actuaries share index, Page 22

NEW HIGHS AND LOWS FOR 1990

NEW HIGHS (4).
BRITISH FUNDS (2) ENGINEERING (1) MINES (1).
NEW LOWS (167)
CANADIANS (3) BANKS (3) BREWERS (2) BUILDINGS (2) CHEMICALS (3) STORES (7) ELECTRICALS (10) ENGINEERING (8) FOODS (2) HOTELS (1) INDUSTRIALS (18) Aberfoyle, Avon Rubber, Bluebird Toys, CMB Packaging, Campbell & Armstrong, Charter Cons., Clearmark, Doctus, Elbeis, Elswick, Erskine House 7¼pc PL, Expamet Intl., Jourdan (T.), Powell Duffryn, Shiloh, Silverminos, Wassall, Whitecroft, Wyndham, INSURANCE (1) LEISURE (4) NEWSPAPERS (2) PAPERS (3) PROPERTY (3) SHOES (1) SOUTH AFRICANS (1) TEXTILES (3) TRANSPORT (3) TRUSTS (16) OILS (3) MINES (7) THIRD MARKET (4).

TRADING VOLUME IN MAJOR STOCKS

Stock	Volume 000's	Closing Price	Day's change
ADT	1,900	144	+3½
ASDA Group	2,700	118	+2
Abbey National	1,000	201	+4
Allied-Lyons	1,400	437	+8
Amstrad	1,100	53	+3
Anglian Water	371	238	+1½
Argos	782	227	+6
Argyll Group	3,200	241	+1
Ass. Brit. Foods	187	413	+4
BAA	1,200	374	+6
BAT Inds.	2,100	680	+6
[illegible]			
British Gas	3,300	214½	+4
British Land	298	241	−4
BP	5,300	345	−2
British Steel	9,900	128	+6
British Telecom	8,100	264	−4
Buzzl	1,800	67	+1
Burmah Castrol	670	487	+12
Burton	2,900	70	−3
Cable & Wire.	2,600	425	+8
Cadburys	979	312	+1
Calor Group	94	224	−3
Carlton Comms.	666	349	+19
Coats Viyella	407	107	+3
Comm. Union	648	404	+8
Cookson	780	72	−3
Courtaulds	1,200	288	+6
Dalgety	1,100	367	+6
Dixons	2,300	128	+2
ECC Group	1,300	318	+4
Enterprise Oil	589	641	−2
FKI	73	52	+1
Ferranti	3,100	18	
Fisons	2,600	364	+6
Gen. Accident	314	447	+9
General Elect.	5,300	189	+3
[illegible]			
ICI	1,300	886	+26
Inchcape	220	220	+8
Kingfisher	1,700	340	+5
Ladbroke	3,200	246	+4
Land Securities	544	490	−3
Laporte	109	457	+7
Legal & General	793	374	+8
Lloyds Abbey	205	292	−1
Lloyds Bank	1,900	258	+9
LASMO	1,100	449	−4
Lonrho	983	210	+3
Lucas	1,100	129	+1
MB Group	974	155	
MEPC	288	434	−2
Manpower	410	57	+2½
Marks & Spencer	3,400	228	+6
Maxwell Commn.	4,700	150	+½
Midland Bank	1,300	197	−1
NatWest Bank	4,100	248	+5
Next	6,200	22	−6¼
North West Water	1,700	232	+3
Northern Foods	705	336	+6
Northumbrian Water	35	239	−2
Pearson	535	643	+2
[illegible]			
Royal Bk Scotland	1,600	133	
Royal Insurance	1,100	376	+4
STC	2,400	256	+5
Saatchi	1,400	36½	
Sainsbury	2,900	303	+8
Scottish & New.	834	340	+11
Sears	8,100	79	−4
Sedgwick	5,200	185	+11
Severn Trent Water	887	254	
Shell Transport	3,700	459	+4
Siebe	850	306	
Slough Ests	139	225	−1
Smith (W.H.) A	785	318	+6
Smith & Nephew	3,200	102½	+1½
SmKl Beecham	682	549	+12
SmKl Beecham Units	18	505	+16
Smiths Inds.	379	337	+8
South West Water	17	228	
Southern Water	35	297	
Standard Chartd.	4,300	285	−1
Storehouse	651	119	−1
Sun Alliance	1,100	381	+6
Sun Life	64	1009	+6
TSB	265	122	+2
[illegible]			
Wellcome	645	485	−10
Welsh Water	198	349	+1
Wessex Water	88	222	+1
Whitbread 'A'	265	410	+6
Wiggins Teape	1,600	186	+2
Williams Hldgs.	891	290	+4
Willis Faber	1,600	214	+8
Wimpey	677	176	+1
Yorkshire Water	290	346	+5

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 4.30pm.

APPOINTMENTS

Chairman of Hunting Gate Group

■ Mr John Redgrave, chief executive of HUNTING GATE GROUP, becomes chairman of the group and associated companies following the retirement of Mr Cecil Baker. Mr Ernest Sheavills has been appointed group managing director.

■ THE THROGMORTON TRUST has elected Mr Ian Stewart, MP, as chairman, succeeding Lord Ezra who will remain on the board until the annual meeting next April. Mr P.H. Courtney has been appointed finance director. He was finance director of The Boots Co. Mr J.C. Orr becomes a non-executive director. He was managing director and head of investment banking of Merrill Lynch Europe. Mr W.M. Windsor, formerly joint managing director of Vickers, is made a non-executive director.

■ BARCLAYS de ZOETE WEDD INVESTMENT MANAGEMENT has appointed Mr Ronald Gould as managing director, international, and Mr Lindsay Tomlinson as managing director, UK.

■ SALOMON BROTHERS, London, has appointed Mr Michael Saunders as UK economist. He was with Greenwell Montagu. Mr Robert Kyprianou becomes vice president and senior fixed income portfolio manager. He was with Citibank Investment Management.

■ SANWA BUSINESS CREDIT (UK), a new joint venture company between The Sanwa Bank, Tokyo, and Sanwa Business Credit Corp, Chicago, has appointed Mr Ryuzo Okuto as president.

Other appointments include: Mr D.M. Nesta and Mr H. Masutani, managing directors; Mr P.J. Cortellini, deputy managing director; and Mr John Bennett, general manager.

■ CHARTERHOUSE, a Royal Bank of Scotland Group company, has appointed Mr David W. Parish as managing director, operations and planning; Mr Richard P. Kilsby as a director of Charterhouse, and a vice chairman of Charterhouse Bank; and Mr H.L. Carron Grieg as a director, he is chairman of Horace Clarkson and a non-executive director of The Royal Bank of Scotland.

■ Sir Derek Hornby, former chairman of Rank Xerox (UK), has been appointed chairman of the BRITISH INSTITUTE OF MANAGEMENT.

■ BRITISH RAIL parcels sector has appointed Mr Ivan Couchman as managing director of Red Star, succeeding Mr Adrian Shooter who remains director, parcels.

Mr Richard Bearpark (*pictured*) has been appointed managing director of SIEMENS NIXDORF INFORMATION SYSTEMS, Bracknell, formed by the merger of the UK data and information systems group of Siemens with Nixdorf Computer. Mr Bearpark was managing director of Nixdorf Computer. The new company is the UK subsidiary of new group Siemens Nixdorf Informationssysteme, Frankfurt.

■ Mr John S. Smale has been appointed personnel director, GUINNESS BREWING WORLDWIDE, beer division of Guinness.

■ Mr Christopher J. Rodrigues, formerly group chief operating officer at the THOMAS COOK GROUP, has been promoted to group managing director. Mr Rodrigues has been with Thomas Cook since 1988. He assumes day-to-day responsibility for the company which operates in 120 countries and specialises in business and leisure travel, travellers cheques and foreign exchange.

■ Mr Peter S. Christie has been appointed deputy chairman of MINET HOLDINGS. He remains based in New York. Mr Vinod Desai has been made group finance director, while Mr Paul Cotterill has become chairman of the Minet International Group, which combines the activities of Minet International and Minet Europe. Mr Richard H. Murray, chairman of Minet Professional Services, also becomes chairman of Minet's retail broking operations in the UK. Mr Michael Brown has been made responsible for group human resources, group insurance and market security.

■ Mr Keith Donnison has been appointed executive chairman of THE ROBERT PURVIS BUSINESS GROUP. He is a former Smith Kline Animal Health managing director.

■ TSB TRUST COMPANY has appointed Mr Mike Ramsay as deputy chief executive and marketing director; Mr Bruce McDowell as customer services and technology director; Mr Geoff Gray as sales director; Miss Hilary Barton as finance and planning director; and Mr David Hinchcliff as personal director - all internal moves.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1990 High	1990 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
99⅝	96½	Treas. 10pc Cv 1990	99⅝		10.04	
98¼	93⅞	Exch 2½pc 1990	98¼		2.53	
99⅛	97¾	Treas 11½pc 1991	99⅛		11.65	
96⅞	92¼	Funding 5¾pc '87-91	96⅞		5.94	
95⅛	89¼	Treas. 3pc 1991	95⅛		3.15	
97⅞	94⅞	Treas 10pc Cv '91	97½		10.26	
97⅛	94⅞	Exch. 11pc 1991	97⅛	+1/16	11.29	
94¼	90⅞	Treas. 8pc 1991	94½		8.45	
101⅛	97⅞	Treas 12¾pc 1992	99⅞	+⅛	12.77	
96⅛	92⅞	Treas 10pc 1992	96⅛		10.37	
93⅝	89¼	Treas. 8pc 1992	93⅝	+⅛	8.54	
97⅛	93⅛	Treas 10½pc Cv 1992	96⅛	+⅛	10.83	
89	82⅞	Treas. 3pc 1992	89		3.37	
100⅞	95⅞	Exch. 12¼pc '92	99⅞	+⅛	12.33	
104	98⅞	Exch 13½pc 1992	101⅞	+⅛	13.28	
92⅛	86¼	Treas 8¾pc 1993	91⅛	+⅛	8.99	
96⅞	90¼	Treas 10pc 1993	95⅛	+⅛	10.52	
103⅛	96⅞	Treas 12½pc 1993	100⅞		12.43	
86⅞	82	Funding 6pc 1993	86⅛	+⅛	6.91	
107⅞	99¼	Treas 13¾pc 1993	104⅛	+⅛	13.21	
91	84¼	Treas. 8¼pc 1994	90⅛	+⅛	9.44	
111⅜	102⅞	Treas 14½pc 1994	106⅛	+⅛	13.56	
107⅛	99¼	Exch 13½pc 1994	103⅛	+⅛	12.98	
96⅛	88⅞	Treas. 10pc Ln. 1994	94⅞		10.63	
104⅛	96⅞	Exch. 12¼pc 1994	101⅛	+⅛	12.35	
92⅛	85	Treas 9pc 1994	90⅛	+⅛	9.97	
103⅞	94⅞	Treas 12pc 1995	99⅞	+⅛	12.02	
81	73	Exch 3pc Gas 90-95	79⅞		3.80	
96⅞	88⅛	Exch. 10¼pc 1995	93⅞	+⅛	10.94	

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

BRITISH FUNDS—Contd

Index-Linked

[illegible]

INT. BANK AND O'SEAS

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

AMERICANS—Contd

[illegible]

CANADIANS

[illegible]

Continued on next page

TECHNOLOGY

The fast track to a good deal

A COMPUTER system being unveiled today will allow dealers to build their own analysis tools and flag trading opportunities.

The Flexible Feed Analysis System (FFAST), designed by the PA Consulting Group, can be linked to a bank or securities house's main computer system which feeds price information the dealing room. After a few hours of training a dealer could instruct the system how to monitor, say, the price differences between UK equities and the ADR equivalents on Wall Street and suggest arbitrage opportunities.

Paul Sachs, business manager of PA Consulting Group's London-based intelligent systems unit, says it allows dealers to build systems which are more powerful than those possible with spreadsheets. Yet it avoids the weeks of waiting associated with the usual alternative – getting a special program written by the company's computer specialists.

FFAST uses an unusual, picture-based diagram to allow unskilled people to enter complex equations. Developed originally to help build expert systems, the screen looks half way between a map of the London Underground and the "spider diagrams' beloved of free thinkers. When agreement is reached on the way to spot a trading opportunity it is easy to make the system follow it.

Once ready, the diagram is compacted by a process known as "compilation" into a small, fast-running program which monitors price information and flags potential trades on the existing dealing room screens. The concept was first tried two years ago as a one-off system for a US institution. Dealers could modify calculations in 15 minutes but it needed expensive hardware and could only monitor 500 equity pairs at a time.

However Sachs says the ever-falling price of hardware means it is now viable. Running on a £5,000 workstation it will be able to watch 50,000 trading opportunities. Talks are under way with a number of financial institutions and suppliers of dealing room systems.

Gren Manuel

David Fishlock on the research and development efforts of BASF, the German chemicals group

Commitment to go back to basics

"BASIC RESEARCH wants to recognise the world. Applied research wants to improve it." That is how Hans-Jürgen Quadbeck-Seeger sees the activities of the 5,300 people in central research and development at BASF, the German chemicals group.

At 51, Quadbeck-Seeger is BASF's executive director responsible for research and development. He has direct control of central R&D, mostly located on the group's main site at Ludwigshafen; and oversight of a total R&D effort engaging 12,300 and costing DM 2bn (£680m) annually – bigger than either ICI or Royal Dutch-Shell – which has grown steadily in real terms for the past four years.

Last year the R&D bill amounted to 4.1 per cent of all BASF sales – about par for the big chemical groups, he says. But this proportion varies considerably among his product divisions, and is running as high as 16 per cent for pharmaceuticals and 11 per cent for crop protection.

In Ludwigshafen last week Quadbeck-Seeger hosted a science symposium on the future of chemistry, addressed by some of the world's leading chemists including Nobel laureates from the US and France, and attended by 2,400 guests, of whom 40 per cent were academic scientists.

Topics ranged from "smart materials" that work out for themselves the right response to a changing environment, to the problems of teaching a computer to synthesise drugs that will treat incurable disease. As one guest remarked, the gesture testified to BASF's strong commitment to basic research.

Wolfgang Gentzsch, BASF's board member for chemicals, puts the commitment this way: "We have to keep asking ourselves which factors are responsible for success, and so ascertain the future importance of innovation and the possible contribution of basic research." One example he cited is that it is no longer enough to try to optimise catalysts empirically. "A deeper insight into the structure of the catalytically active centres with the aid of various surface analysis techniques is now indispensable."

For an international chemicals group, BASF's central R&D is unusually centralised, with 90 per cent located at Ludwigshafen, in four separate but inter-related laboratories. Quadbeck-Seeger admits that BASF is the only big chemical group to run its research this way – ICI, for example, has all but abandoned its central research activity. But BASF is also unique in having so much of its production on the one site, some 54,000 employees who account for 45 per cent of sales.

The four laboratories also have a long history, starting with a "main laboratory" set up in 1882, only two years after the company was founded. The ammonia laboratory followed in 1910, to specialise in developing the materials and process technology needed to put Fritz Haber's famous ammonia synthesis into production. Then in 1962 the ammonia laboratory spawned two new ones: dyestuffs and polymers.

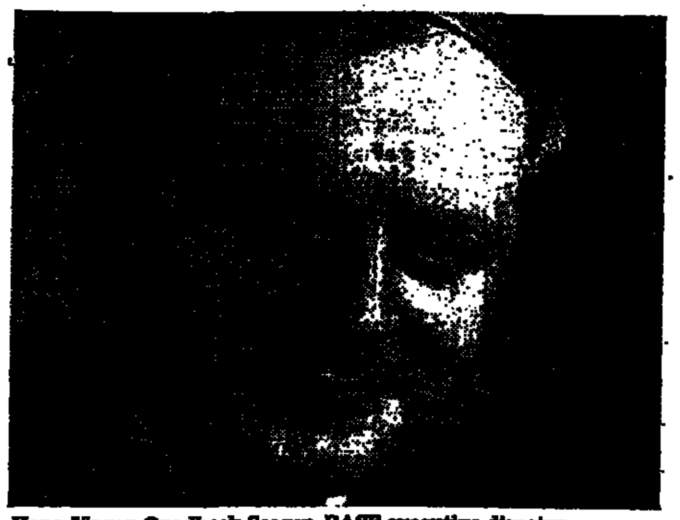
But the four are closely integrated, both by computers and by a matrix management system that allows multi-disciplinary teams to be assembled rapidly to meet a fresh challenge.

Quadbeck-Seeger believes that the advantage of having such a concentration of talent in one place is increasing with the growing need for technologies to interact in solving industrial problems. "We're moving to an approach nature knows," he says.

Nature does not differentiate between physics, chemistry and biology, he says. Trends that are forcing interaction for BASF include the opportunities opened by molecular biology, and the pressures for cleaner production technologies.

The ammonia laboratory, with its roots firmly in ammonia synthesis, is the corporate repository of skills in catalysis, bedrock of almost all its manufacture, but also the hope for cleaner, more efficient processes. This is where deeper insight into catalysis is being gained with instruments such as the scanning tunnelling microscope, which allows individual atoms to be examined and may even lead to an exquisitely delicate process for micro-machining of ideal catalyst surfaces.

The polymer laboratory specialises in BASF's dominant type of product. One of its more ambitious projects is to design and build a new pre-stressed concrete road bridge needed inside the factory, using ropes of carbon fibre composite as a lightweight, corrosion-resistant replacement for the customary steel tendons.



Hans-Jürgen Quadbeck-Seeger, BASF executive director

At the opposite end of the scale is the research started this year, involving an "atom-smasher" and aimed at developing a new manufacturing process for making microscopically small engineering parts.

A new polymer moulding technology making engineering parts only microns (millionths of a metre) in size is the target of a three-year research collaboration begun this year between the polymer laboratory, STEAG Mikrotechnik (a subsidiary of the German energy group), and Heidelberg University.

Such parts could lead to microminiature mechanical and electrical machinery corresponding to microchips, and useful for sensors, medical implants, and high-precision industrial processing, believes Gerhard Hoffmann, group leader responsible for BASF's participation.

What Quadbeck-Seeger calls the main laboratory focuses on interdisciplinary projects and is seen as the source of new enabling technologies – the new biotechnologies such as genetic engineering and cell fusion, for example. Biotechnology, although only 4 per cent of the R&D budget, is fast-growing.

Rolf-Dieter Acker, in charge of this research, is also responsible for a new research centre BASF is building for molecular biology near Boston, Massachusetts. After six years of R&D on tumour necrosis factor, originally cloned by the US research company Biogen, Acker says BASF hopes for a licence "within months" to use his pilot plant to manufacture the drug for sale for treating cancer.

These three laboratories, of roughly equal size, account for 85 per cent of central R&D. The remaining 15 per cent is done by his dyestuffs laboratory. One goal is entirely new uses for pigments. An example lies in an old idea for treating cancer with light instead of ionising radiation, in the hope of doing less damage to healthy cells.

What it requires is a non-toxic pigment that can be given safely to patients and which concentrates selectively in the tumour, to catch the light. What now makes it an attractive target for chemists is the advent of inexpensive, hand-held lasers operating at an infra-red wavelength that will penetrate deep beneath the skin. The surgeon might use such a laser beam much as he would a scalpel, to attack the tumour without damaging intervening tissue.

This quartet concentrates on research into chemistry and scientific methodology, leaving development and demonstration to the somewhat larger corpus of R&D scientists spread among BASF's product divisions. But Quadbeck-Seeger estimates that 85 per cent of his central R&D correlates with targets of the product divisions. "There is very active interaction between the product divisions and research."

The remaining 15 per cent focuses on targets chosen by the research scientists themselves. Examples include organic electrochemistry – electrochemical reactions to promote novel syntheses, several of which have already found their way into production; and electrically conducting polymers, part of the quest for "smart materials".

How does Quadbeck-Seeger decide what areas to pursue? He says it is a never-ending process of heeding what product divisions want, watching the research portfolios of rival companies, talking to universities about new opportunities and wrestling with corporate issues such as what might be done to exploit an in-house discovery, or to combat an oils price increase.

Quadbeck-Seeger is wary, however, about research collaboration beyond BASF's boundaries. Chemists have too much to lose, he believes. "The success of a molecule may depend on a single atom of carbon." He has little involvement in EC or Eureka programmes, and worries that Germany's new law on genetic engineering – one reason for the new US laboratory – may oblige him to reveal publicly too much of his intellectual property.

Symposia such as the one just ended are rare occasions when the chemical groups come together. Asked if he learned anything from his speakers which made him reconsider the thrust of his big research effort, he replied: "We feel we are in line with the new trends."

Global effort to fight greenhouse

By David Thomas

PROPOSALS for a worldwide convention on tackling global warming are beginning to take shape. An intergovernmental conference in Geneva next month is expected to give its blessing to the idea. Negotiations will begin in earnest early next year: the convention's signing ceremony is already scheduled for the UN Conference on Environment and Development in 1992.

The question now facing the new breed of environmental diplomat is: what should be in the convention? One of the most thorough attempts yet to provide an answer is in a report published today by the UK's Royal Institute of International Affairs.*

The author, William Nitze, a former senior official in the US State Department, has tried to steer his way between two contrasting pitfalls. The proposals must not be so ambitious that they would frighten off those countries, notably the US and many developing nations, which are reluctant to wind down their dependence on fossil fuels. Simultaneously, the convention cannot be so weak that it fails to stimulate a change in behaviour.

The dilemma is particularly acute in view of countries' very different starting points. A list of net greenhouse gas emissions, reproduced in Nitze's report, shows that some of the world's richest countries, like the US and Canada, are among the world's higher per capita greenhouse gas emitters. But then so too are some of the poorest like Laos and the Ivory Coast.

Nitze proposes a carefully tapered convention with progressively tougher targets. At its most general, it would involve stabilising greenhouse gas emissions in 10 years' time at the level reached during the year the convention came into force, probably 1993.

By itself, this would be fairly weak, but it would help to provide an external stimulus, in Nitze's words, "to motivate governments to develop strategies which provide for actual reductions in greenhouse gas emissions."

This first target would be accompanied by sub-targets:

- Each member of the Organisation of Economic Co-operation and Development, the club of western industrialised nations, would stabilise its emissions of carbon dioxide within 10 years of signing the convention.
- Every signatory, including those from the developing world, would agree an energy efficiency target: they would improve the ratio of carbon dioxide emissions from fossil fuel burning to Gross National Product by 2 per cent a year over the ensuing decade.
- Each signatory would ensure no net loss of forests over the 10 years, since forests inhibit global warming by absorbing carbon.

These targets would be underpinned by an obligation on each country to prepare its own national strategy for tackling global warming. Each plan would vary: some countries might concentrate on reducing their dependence on coal-burning, while others would set out to improve the efficiency with which all energy sources are used.

Novel financial instruments, like carbon taxes, could feature in national strategies. But Nitze argues that implementation difficulties make them unsuitable candidates for a global convention.

The essence of Nitze's plan, therefore, is to set a framework by which each country could contribute in its own way and at its own pace. Yet he also argues that it would be compatible with a three-phase deployment of different types of technology to the problem: first, up to the year 2005, energy efficiency and other technologies that are already economic, but not fully marketed; second, in the years 2005-2030, technologies such as renewable energy sources that are available, but not yet fully economic; third, after 2030, technologies such as hydrogen-based energy or fusion power that require further development.

**The Greenhouse Effect: Formulating a Convention. William Nitze, Royal Institute of International Affairs, 10 St James's Square, London SW1Y 4LE. £10.*

LONDON SHARE SERVICE

BANKS, HP & LEASING

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
£13¾	£9¾	ABN Amro Fl5	£9¾	......	Q28%	2.1	8.9	5.3
303	176	ANZ SA1	185	+9	44c	1.4	10.2	6.9
229	172	Abbey National 10p	201	+4	5.7	4.3	3.8	8.2
*274	133	Allied Irish Ord	140	+6	Q40%	3.3	6.4	6.3
85	47	Anglo Irish	47	–3	Q18.7%	2.7	8.9	6.8
93	61	Ansbacher (H.) 1p	61	......	2.5	1.5	5.5	17.6
£71¾	£32½	Bancaire Cie Fr100	£37¾	+1¾	Q12¼%	–	3.5	–
£22¾	£13¾	Banco Bilbao Viz	£14	......	Q49.1%	2.7	5.7	9.6
286	136	Bank Ireland Ir£1	142	+3	Q14.7%	2.9	9.3	5.0
£19½	£18	Bank Leumi	£19½	......	–	–	–	–
351	320	Bank Leumi (U.K.)	350	......	†15.0	–	5.7	–
125	100	Bank Scotland	107	+2	4.55	3.3	5.7	7.1
100¼	83¾	Do. 9¼pc Irrd Pf	96	+½	9¼%	–	12.8	–
54	39	Bank of Wales	42	......	2.8	0.8	8.9	(20.2)
428	290	Barclays £1	332	+11	†19.57	3.5	7.9	4.6
22	11	Beachmark 20p	11	......	0.75	♦	9.1	♦
335	240	Brown Shipley £1	240	......	12.0	2.2	6.7	7.8
*435	285	Cater Allen £1	287	+2	24.5	–	11.4	–
179	49	Chancery	50	......	9.0	2.7	24.0	2.0
£23¼	£15½	Commerzbk DM10	£15⅞	+⅜	Q18%	–	3.9	–
£13¼	620	Dai Ichi KBk Y50	670	+42	Q17%	6.2	0.5	34.0
*£313½	£194½	Deutsche Bk DM50	£211½	+9½	Q28%	–	2.2	–
£20¾	£14½	Espirito Santo	£15	......	Q75c	5.1	2.7	7.3
253	166	First Nat. Fin. 10p	170	+4	13.0	2.1	10.2	5.8
121	82	FNFC 6.3pc Cv. Pf	83	......	6.3%	–	10.1	–
£13¼	633	Fuji Bank Y50	641	+7	Q17%	♦	0.5	♦
325	262	Gerrard & National	264	–4	19.0	–	9.6	–
154	100	Guinness Mahon 10p	100	–3	2.1	–	2.8	–
328	194	Hambros 20p	201	+2	11.5	–	7.6	–
128	88	Do. 7.5pc Cv Pf	90	+1	7½%	–	11.1	–
53½	32½	HK & Shang. HK$2.50	34	+1	Q38c	–	7.5	–
478	393	Joseph (Leo) £1	393	......	15.85	–	5.4	–
150	105	King & Shaxson 20p	105	–1	10.25	–	13.0	–
422	262	Kleinwort Benson Grp	279	+4	16.0	2.5	7.6	6.6
[illegible]								

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ELECTRICALS – Contd

[illegible]

ENGINEERING

[illegible]

ENGINEERING – Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

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MOTORS, AIRCRAFT TRADES – Contd

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY – Contd

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

INVESTMENT TRUST

[illegible]

INVESTMENT TRUST – Contd

[illegible]

INVESTMENT TRUST – Contd

[illegible]

Net asset values supplied by County NatWest Wood Mackenzie

FINANCE, LAND, ETC

[illegible]

WATER

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS – Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES – Contd

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr		Gr's	P/E
[illegible]									
72	27	Oxford Virology 5p ..y	22	–1	–	–	–	–	–
83	61	Poddington 5p..	77	.....	–	–	–	–	–
118	65	Ramsden's (Harry) . y	82	.....	L4.5	1.1	7.3	16.2	
60	30	Rentaminster 5p ..y	31	.....	ta1.85	2.8		6.1	
38	8	Sempernova ....y	8	.....	–	–	–	1.8	
36	17	Sleepy Kids 5p.....y	17	.....	–	–	–	–	
For Swanyard Studios see LEISURE									
3½	1¼	Systems Connections y	2	.....	–	–	–	–	
94	58	Tomorrows Leisure 20p y	58	....	1.0	♦	2.3	♦	
55	27	UPL Group 10p ...y	29	..	–	–	–	–	
For Unit Grp see PAPER, PRINTING, ADVERTISING									
89	16	Video Magic Lab. 1py	18	–8	W2.0	0.7	14.8	14.4	
6¾	2¼	Vista Ents 5p......y	2¼	....	–	–	–	–	
18	8	Vizcaya Hldgs 5p.. y	8	.....	–	–	–	–	
5½	2	Wilton Group 1p...y	2¼	–¼	–	–	–	7.6	

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm –) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ● USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ♯♯ Not officially listed.
- ♯ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ǁ No par value

B.Fr. Belgian Francs. Fr. French Francs ♯♯ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1990-91. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xf ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or –
Craig & Rose £1... y	700	......
Finlay Pkg. 5p.... y	48	......
Holt (Jos) 25p..... y	1305	......
IRISH		
Cap. 8½% Ln. 1991...	£98	......
9pc Cap Ln. 1996..	£93	......
Fin. 13% 97/02...	£110	+1
Arnotts............	180	......
Carrol (P.J.)....... y	110	–5
Hall (R. & H.)......	165	......
Helton Hldgs....... y	48	–2
IRG................	150	......
United Drug........	138	......

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	40
Amstrad	7
Astec (BSR)	6
BAT	45
BOC Grp	39
BTR	29
Barclays	27
Blue Circle	17
Boots	21
Bowaters	41
Brit Aerospace	43
British Steel	13
Brit. Telecom	22
Cadburys	26
Charter Cons	37
Comm Union	37
Courtaulds	25
Eurotunnel	55
FKI	5¼
FNFC	20
Gen Accident	46¼
GEC	14
Glaxo	57
Grand Met	44
Guardian	15
GKN	27
Hanson	16
Hawker Sidd	39
ICI	70
Ladbroke	22
Legal & Gen	29½
Lex Service	28
Lloyds Bank	21
Lucas Inds	11
Marks & Spencer	16
Midland Bk	20
Nat West Bk	18
P & O Dfd	42
Polly Peck	40
Racal Elect	14
RHM	23
Rank Org Ord	49
Reed Intnl	30
STC	19½
Sears	8½
SmKl. Beecham A	44
TI	37
TSB	10
Tesco	19
Thorn EMI	49
Trust Houses	21
T&N	14
Unilever	50
Vickers	19
Wellcome	38

Property	p
Brit Land	24
Control Secs	4
Land Securities	42
MEPC	38
Mountleigh	11

Oils	p
Aviva Petlm	3½
Brit Petroleum	28
Burmah Castrol	44
Conroy Petlm	20
Gaelic Res	2
Premier	8½
Shell	40
Tuskar Res	6
Ultramar	31

Mines	p
Lonrho	21
RTZ	48

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AUTHORISED UNIT TRUSTS

National Provident Inv Mgrs Ltd (1400)H
48 Gracechurch St, EC3P 3HH 071-623 4200

NPI American Acc	5	59.35	59.42	63.21	+2.13 1.80
NPI American Dist	5	55.83	55.90	59.47	+2.01 1.80
NPI European Acc	5	64.37	64.46	68.57	+1.24 0.99
NPI European Dist	5	63.38	63.47	67.52	+1.22 0.89
NPI Far East Acc	5	92.20	92.74	98.66	+7.77 0.45
NPI Far East Dist	5	91.54	92.07	97.95	+7.71 0.43
NPI O'seas Acc	5	769.1	772.3	821.6	+8.8 1.52
NPI O'seas Dist	5	602.2	604.7xd	643.3	-0.3 1.52
NPI UK Acc	5	408.4	412.4	438.7	+7.00 5.16
NPI UK Dist	5	250.7	232.9	247.8	+3.90 5.16
NPI W'wide Acc	5	62.58	63.28	67.32	+1.73 0.67
NPI W'wide Dist	5	60.19	60.87xd	64.75	+1.67 0.67

Save & Prosper Group (0900)H
28 Western Rd, Romford RM1 3LB
Capital Hse, 2 Festival Sq., Edinburgh EH3 9SX
(Romford) 0708-766966 or (Edin.) 031-228 4300

Amer Inc & Grwth	5½	45.43	45.43	48.32	+0.27 9.28
Amer Smllr Cos	5½	35.94	35.94	38.23	+0.92 —
Capital	5½	96.88	96.88	103.0	+4.41 1.47
Commodity	5½	73.35	73.35xd	78.03	-3.65 2.15
Eastern Discovery	5½	51.75	52.33	55.66	+2.36 0.22
Energy Inds	5½	89.58	89.58	95.29	-0.64 1.02
European	5½	115.6	115.6	122.9	+4.4 0.48
Euro Inc & Grwth	5½	52.07	52.07	55.39	+1.22 6.17
Euro Smllr Co's	5½	39.06	39.06	41.55	+0.49 —
Exempt Income	3½	97.30	97.30	103.5	+1.9 7.38
Exempt Intl	3½	61.37	61.37	65.28	+1.44 0.66
Financial Secs	5½	92.77	92.77	98.69	+2.97 4.30
Gilt & Fxd Int Inc	5½	42.06	42.06xd	44.48	+0.26 10.29
Gold & Exploration	5½	38.92	38.92	41.40	-1.58 —
High Return	5½	195.3	200.3	213.0	+4 7.01
High Yield	5½	177.3	177.3xd	188.6	+3.1 6.53
Income	5½	91.86	91.86	97.72	+1.42 9.13
Intl Bond	5½	114.4	114.4xd	121.7	+0.5 7.31
ITU	5½	110.7	110.7xd	117.7	+3.1 4.07
Japan	5½	85.80	85.80xd	91.27	+0.54 —
Japan Smaller	5½	140.0	140.0	148.9	+8.8 —
Masterfund	5½	32.82	32.82	34.91	+0.71 3.05
New Technology	5½	78.10	78.10	83.08	+4.19 —
Scotbits	5½	133.4	133.4	141.9	+3.4 3.57
Scotshares	5½	184.9	184.9	196.7	+1.9 3.94
Scotyields	5½	182.7	182.7xd	194.3	+4.1 7.32
Select Intl	5½	83.75	83.75xd	89.09	+1.81 0.17
Smaller Cos Inc	5½	166.7	166.7xd	177.3	+0.5 7.69
SE Asia	5½	194.2	194.2	206.5	+1.1 2.45
Special Situation	5½	92.34	92.34	98.23	+0.43 1.10
UK Equity	5½	193.0	193.0	205.3	+4.4 4.68
UK Smllr Cos Grwth	5½	39.95	40.45	43.03	+0.6 3.68
U.S.	5½	75.24	75.24	80.04	+2.2 1.05
Units Growth	5½	89.71	89.71xd	95.43	+3.65 0.97

For Savings Corp see Whittingdale

Schroder Unit Trusts Ltd (1600)F
36 Old Jewry, London EC2R 8BS
Public Dlg: 071-606 8484 Broker Dlg: 071-606 6035
Retail Funds

American	5¼	131.50	132.10	140.50	+5.00 1.99
(Accum Units)	5¼	139.90	140.90	149.60	+5.40 1.99
Australian	5¼	107.20	109.30	116.20	+1.20 1.64
(Accum Units)	5¼	123.40	125.90	133.90	+1.30 1.64
Enterprise	5¼	114.50	116.20	123.60	+1.30 4.56
(Accum Units)	5¼	121.90	123.80	131.70	+1.40 4.56

Swiss Life Unit Tst Man Co Ltd (1200)F
Admin: 5 Rayleigh Road, Hutton, Brentwood, Essex
Enquiries: 0277 227300 Dealing: 0277 261010

Equity Dist	5½	348.7	354.8	375.4	+6.6 3.86
Equity Acc	5½	476.7	485.0	513.2	+7.6 3.86
Fixed Int Dist	5½	106.5	108.6	112.5	+0.2 8.75
Fixed Int Acc	5½	217.5	221.9	229.9	+0.5 8.75
UK Index Track Dist	5	82.95	83.92	88.80	+1.30 4.39
UK Index Track Acc	5	82.95	83.92	88.80	+1.30 4.39

TSB Unit Trusts (1200)H
Charlton Pl, Andover, Hants, SP10 1RE 0264 346794

TSB American	6	107.3	108.05	114.92	+4.5 1.1
Do Accum	6	117.29	118.08	125.61	+4.81 1.1
TSB Brit. Growth	6	60.97	61.69xd	65.63	+1.02 4.11
Do Accum	6	67.47	68.40xd	72.86	+1.14 4.11
TSB European	6	66.13	66.41	70.64	+1.42 1.27
Do Accum	6	68.53	68.81	73.2	+1.40 1.27
TSB Extra Income	6	132.95	134.28xd	142.85	-0.1 6.66
Do Accum	6	187.80	189.91xd	202.03	-0.5 6.66
TSB Smaller Cos	6	38.88	40.71xd	43.3	-0.1 3.52
Do Accum	6	40.77	42.60xd	45.4	-0.1 3.52
TSB General	6	186.48	186.48	198.99	+3.11 4.5
Do Accum	6	342.24	342.24	364.08	+6.7 4.5
TSB Premier Income	5	40.11	40.11	41.78	-0.31 10.29
Do Accum	5	64.29	69.29	72.13	-0.69 10.29
TSB Income	6	251.31	256.2	272.56	+3.16 6.18
Do Accum	6	458.67	464.54	494.19	+5.72 6.18
TSB Pacific	6	200.32	204.69	217.75	+6.99 0.55
Do Accum	6	208.43	212.98	226.57	+7.28 0.55
TSB International	6	325.72	325.72	346.51	+2.81 2.1
Do Accum	6	414.81	414.81	441.28	+3.49 2.1
TSB Nat. Resources	6	61.81	61.81xd	65.75	-1.3 4.15
Do Accum	6	66.95	66.95xd	71.22	-1.4 4.15
TSB Yield Opps	6	67.86	67.86xd	72.19	— 4.81
Do Accum	6	80.89	80.89xd	86.05	— 4.81
Environmental Inv	6	38.7	39.43	41.94	+0.91 2.54
Do Accum	6	39.58	40.33	42.9	+0.93 2.54
TSB Selector	6	40.75	41.48	44.12	+0.49 5.01
Do Accum	5	41.36	42.07	44.75	+0.49 5.01
TSB High Income	6	43.41	44.07	46.88	+0.36 6.72
Do Accum	6	43.41	44.07	46.88	+0.36 6.72
TSB Intl Income	6	46.09	46.31	49.26	+0.34 7.31
Do Accum	6	46.09	46.31	49.26	+0.34 7.31
TSB Selector Income	6	42.78	43.29	46.05	+0.57 7.17
Do Accum	6	42.78	43.29	46.05	+0.57 7.17

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Templeton Unit Trust Managers Ltd (1200)F

Thornhill Unit Trust Managers Ltd (1200)F

Murray Johnstone UT Mngmt

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Norwich Union Asset Management Ltd
PO Box 140, Norwich NR3 1PP 0603 686787

	Bid Price	Offer Price	+ or -	Yield Gross
NUAM Funds				
Managed Fund	60.2	63.4	+1.0	–
Stock Market Mngd Fund	56.7	59.7	+1.3	–
Equity Fund	64.2	67.6	+0.9	–
International Fund	50.2	52.9	+2.0	–
European Fund	60.8	64.0	+2.6	–
North American Fund	49.9	52.5	+1.4	–
Pacific Fund	50.9	53.6	+2.5	–
Property Fund	87.2	91.8		–
Fixed Interest Fund	51.6	54.3	+0.2	–
Index Linked Sec Fund	58.0	61.0	+0.1	–
Deposit Fund	65.3	68.8		–
NUAM Retirement Plans				
Mixed Fund	65.1	68.5	+1.0	–
UK Ordinary Share Fd.	73.8	77.7	+1.1	–
International Fund	54.2	57.1	+2.1	–
Property Fund	84.3	88.7		–
Fixed Interest Fund	61.3	64.6	+0.3	–
Index Linked Sec Fund	61.3	64.5	+0.1	–
Deposit Fund	75.6	79.6	+0.1	–
NUAM (NP)				
Managed Fund	853.9	898.9	+13.9	–
Equity Fund	1774.2	1867.6	+21.2	–
International Fund	132.6	139.6	+5.1	–
Property Fund	551.9	581.0	+0.1	–
Fixed Interest Fund	386.5	406.9	+1.2	–
Index Linked Sec Fund	59.0	62.2	+0.2	–
Deposit Fund	268.7	282.9	+0.1	–

Norwich Union Life Insurance Soc.
Surrey Street, Norwich NR1 3NG 0603 622200

	Bid Price	Offer Price	+ or -	Yield Gross
Unitised Life				
With Profits Fd	104.98	110.50	+0.03	–
Managed Fd	81.44	85.73	+1.41	–
UK Ord Share Fd	84.03	88.45	+1.11	–
International Fd	74.36	78.27	+2.88	–
European Fd	84.33	88.77	+2.33	–
North American Fd	75.98	79.98	+2.16	–
Pacific Fd	64.48	67.87	+3.07	–
Property Fd	100.15	105.42	+0.02	–
Fixed Int Fd	92.85	97.73	+0.17	–
Intl Bond Fd	88.37	93.02	+0.40	–
Deposit Fd	105.69	111.25	+0.03	–
Unitised Pensions				
With Profits Fd	138.19	145.47	+0.06	–
Managed Fd	130.52	137.39	+2.12	–
UK Equity Fd.	136.50	143.68	+1.89	–
International Fd	128.77	135.55	+4.84	–
European Fd	135.61	142.75	+4.36	–
North American Fd	127.00	133.68	+4.12	–
Pacific Fd	95.02	100.02	+4.91	–
Property Fd.	153.21	161.27	+0.03	–
Fixed Int Fd	108.61	114.33	+0.40	–
Intl Bond Fd	112.92	118.87	+0.93	–

Providence Capital Life Assc. Co Ltd – Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
Individual Pension Funds				
UK Equity Acc.	202.2	213.3	+5.9	–
UK Fixed Interest Acc.	189.3	199.7	+1.9	–
Intl Equities Acc.	192.4	203.0	+4.7	–
UK Managed Acc.	164.4	173.4	+3.2	–
Property Acc.	208.1	219.6	+0.1	–
Money Acc.	148.0	156.2	+0.2	–
Special Market Acc.	203.5	214.7	+1.7	–
Japan Equity Acc.	139.7	147.4	+10.5	–
North American Acc.	104.4	110.2	+2.9	–
Pacific Acc.	143.7	151.6	+6.5	–
Technology Acc.	120.3	126.9	–7.7	–
Natural Resources Acc.	99.5	105.0	–4.0	–
European Acc.	103.9	109.7	+4.8	–
Residential Prop Acc.	103.6	109.3		–
Swiss Equities Acc.	32.0	33.8	+0.2	–
Hong Kong Acc.	46.8	49.4	+3.2	–
UK High Inc Eqs Acc.	65.6	69.3	+2.5	–
Int. Fixed Interest Acc.	53.7	56.7	+0.8	–
Int. Managed Acc.	50.8	53.5	+0.8	–
Group Pension Funds				
Equity Acc.	664.9	685.5	–1.5	–
Fixed Interest Acc.	552.5	569.6	–4.2	–
Managed Acc.	115.9	118.2	+0.4	–

Provident Life Assoc Ltd
Provident Way, Basingstoke RG21 2SZ 0256 470707

	Bid Price	Offer Price	+ or -	Yield Gross
Unit Fund (Mixed)	940.3	987.3	+16.3	–
Equity Fund	211.7	222.3	+5.5	–
International Fd	117.2	123.1	+2.5	–
Fixed Interest Fd	155.1	162.9	+0.7	–
Property Fund	226.0	237.3		–
Index-Linked Fund	146.3	153.6		–
Deposit Fund	155.3	163.1	+0.1	–
Pens. Mixed (Ord) Fd.	229.4	240.9	+3.9	–
Gold Pensions				
Discretionary Fund		111.8	+2.8	–
Equity Fund		109.2	+2.6	–
Fixed Interest Fund		119.6	+0.5	–
International Fund		90.7	+1.9	–
Property Fund		138.5		–
Index-Linked Fund		122.3	+0.1	–
Deposit Fund		132.4	+0.1	–
S & F Consolidation		120.4	+0.4	–
S & F Balanced		114.2	+1.1	–
S & F Maximum Growth		84.7	+0.7	–

Provident Mutual Life Assc. Assn.
Willian Rd, Hitchin, Herts SG4 0LP 0438 739000

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Ord	306.4	322.5	+5	–
Managed Init	236.4	248.8	+5.9	–
Equity Ord	436.7	459.7	+7.1	–
Equity Init	336.9	354.6	+5.3	–
Index Linked Gilt Ord	145.8	153.5	+0.3	–
Index Linked Gilt Init	117.5	123.7	+0.2	–

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)

هكذا من الاصل

FT MANAGED FUNDS SERVICE

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JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

Wardley Investment Services Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Wardley S.E. Asia Tq.	$10.22	10.74	-0.07	0.76
Japanese Warrants	$6.10	6.47	-0.09	-
Asian Warrants	$7.80	8.26	-0.10	-
European Warrants	$5.55	5.88	-0.17	-
Managed	HK$8.69	9.27	+0.02	-

Wellington Fd Mngrs (Guernsey) Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Intl Growth Fd	$12.89	13.54	----	-

Wells Fargo U.S. IT Fund

	Bid Price	Offer Price	+ or -	Yield Gross
NAV Oct 1		$9.61	----	-

Xiphias International Investment Fd Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Xiphias Int USD		$1.0581	----	-
Xiphias Int ECU		Ecu0.9950	----	-

MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yield % allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. u Designated in Luxembourg as a UCITS (Undertakings for Collective Investment in Transferable Securities). x Offered price includes all expenses except agent's commission. z Previous day's price. ¶ Guernsey gross. # Suspended. ◆ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ◆ Yield column shows annualised rates of NAV increase after dividend.

(**) Funds not SIB recognised. The regulatory authorities for these funds are: Guernsey: Financial Services Commission; Isle of Man: Financial Supervision Commission; Jersey: Commercial Relations Department; Luxembourg: Institut Monétaire Luxembourgeois.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar held in narrow range

CURRENCIES TRADED in narrow ranges yesterday, lacking fresh factors. The dollar held comfortably above technical support levels of DM1.5520 against the D-Mark and Y136.60 in terms of the yen, while showing no sign of attacking resistance at DM1.5650 and Y137.50.

The Federal Open Market Committee met yesterday, amid speculation about an easing of monetary policy if agreement to cut the US budget deficit is ratified by Congress. Minutes of the meeting will not be released until next month, but dealers will be looking for monetary signals from the Fed's money market management.

Funds were added to the New York banking system yesterday via overnight system repurchases. This was more aggressive than expected, but analysts doubted whether it was more than a technical move to bring Federal funds down from 8⅞ per cent. Shortly after the action Fed funds fell to 8⅛ per cent, nearer to the assumed target rate of 8 per cent.

Expectations of lower interest rates pushed the dollar down sharply on Monday, but steadier trading yesterday reflected hopes that a cut in the budget deficit would also indicate determination by the US to put its house in order.

At the London close the dollar was unchanged Y136.90, but had advanced to DM1.5550 from DM1.5515; to SFr1.2920 from SFr1.2890; and to FFr5.2100 from FFr5.2000. Its index rose to 62.5 from 62.4.

Sterling was little changed overall, recovering from a slight dip caused by a bigger than forecast fall of $344m in September UK official reserves. The market expected a drop of about $80m, but the figure appeared to suggest that Bank of England support for the pound had been larger than previously believed when the currency was defended on September 21.

After a brief decline on the news, the pound rallied in fairly thin trading. It finished 10 points lower against the dollar at $1.8885 and eased to Y258.50 from Y258.75, but improved to DM2.9375 from DM2.9325; to SFr2.4400 from SFr2.4350; and to FFr9.8400 from FFr9.8250. Sterling's index was generally steady, closing unchanged at 93.5.

A sharp rise in Japanese share prices failed to have much impact on the yen. Dealers said they were surprised at the lack of reaction, but the currency did improve slightly against most European currencies. The D-Mark fell to Y88.05 from Y88.25.

Trading among members of the European Monetary System was subdued. High interest rates kept the Spanish peseta at the top of the exchange rate mechanism and interest rate factors also supported the French franc. The Italian lira steadied after its recent fall, helped by firmer money market rates after Monday's action by the Bank of Italy to drain liquidity. The D-Mark eased to L748.43 from L749.52 at the Milan fixing.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Oct 2	% change from central rate	% spread vs weakest narrow band currency	Divergence indicator
Spanish Peseta	132.889	128.914	−2.99	3.96	52
Irish Punt	0.763159	0.766858	0.48	0.37	−7
Belgian Franc	42.1679	42.4019	0.55	0.30	−11
French Franc	6.85684	6.89588	0.57	0.28	−13
German D-Mark	2.04446	2.05819	0.67	0.18	−22
Italian Lira	1529.70	1540.86	0.73	0.12	−20
Dutch Guilder	2.30358	2.32075	0.75	0.11	−20
Danish Krone	7.79845	7.86495	0.85	0.00	−24

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. Adjustment calculated by Financial Times.

£ IN NEW YORK

Oct.2	Latest	Previous Close
£ Spot	1.8865-1.8875	1.8825-1.8835
1 month	1.11-1.09pm	1.14-1.12pm
3 months	3.08-3.05pm	3.07-3.04pm
12 months	10.1-10.0pm	10.1-9.98pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Oct.2	Previous
8.30 am	93.5	93.7
9.00 am	93.5	93.7
10.00 am	93.5	93.8
11.00 am	93.5	93.8
Noon	93.5	93.7
1.00 pm	93.5	93.7
2.00 pm	93.5	93.7
3.00 pm	93.4	93.5
4.00 pm	93.5	93.5

CURRENCY MOVEMENTS

Oct.2	Bank of England Index	Morgan** Guaranty Changes %
Sterling	93.5	-18.9
U.S Dollar	62.5	-16.7
Canadian Dollar	103.0	+1.0
Austrian Schilling	109.8	+11.8
Belgian Franc	111.5	-2.2
Danish Krone	110.6	+5.0
Deutsche Mark	119.0	+24.9
Swiss Franc	116.6	+25.6
Guilder	114.7	+16.2
French Franc	105.4	-11.2
Lira	99.6	-19.7
Yen	129.8	+62.2

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for Oct.1.

CURRENCY RATES

Oct 2	Bank rate %	Special * Drawing Rights	European † Currency Unit
Sterling	–	0.739615	0.702291
U.S Dollar	7	1.40024	1.32206
Canadian $	12.82	1.61364	1.52513
Austrian Sch	6½	15.2808	14.4806
Belgian Franc	10¼	44.7447	42.4019
Danish Krone	10½	8.30342	7.86495
Deutsche Mark	6.00	2.17191	2.05819
Neth.Guilder	7.00	2.44832	2.32075
French Franc	10¼	7.27355	6.89588
Italian Lira	12½	N/A	1540.86
Japanese Yen	6	192.533	181.017
Norway Krone	8	8.42944	7.98328
Spanish Peseta	–	136.033	128.914
Swedish Krona	11	8.01259	7.58402
Swiss Franc	6.00	1.79861	7.58402
Greek Drach	20½	N/A	204.695
Irish Punt	–	N/A	0.766858

† European Commission Calculations.
* All SDR rates are for Oct.1

OTHER CURRENCIES

Oct 2	£	$
Argentina	10586.0 - 10724.0	5620.00 - 5690.00
Australia	2.2660 - 2.2680	1.2035 - 1.2045
Brazil	157.85 - 159.30	83.80 - 84.50
Finland	6.9550 - 6.9685	3.6970 - 3.7000
Greece	288.80 - 293.50	153.55 - 156.00
Hong Kong	14.5900 - 14.6055	7.7595 - 7.7615
Iran	124.00*	66.20*
Korea(Sth)	1328.30 - 1349.75	710.70 - 715.70
Kuwait	N/A	N/A
Luxembourg	60.50 - 60.60	32.00 - 32.10
Malaysia	5.0715 - 5.0840	2.6975 - 2.6995
Mexico	5461.00 - 5481.00	2899.00 - 2909.00
N.Zealand	3.0380 - 3.0430	1.6145 - 1.6165
Saudi Ar.	7.0565 - 7.0735	3.7495 - 3.7505
Singapore	3.3065 - 3.3145	1.7595 - 1.7615
S.Af (Cm)	4.8445 - 4.8570	2.5740 - 2.5795
S.Af (Fn)	7.2360 - 7.3785	3.8460 - 3.9215
Taiwan	51.25 - 51.35	27.25 - 27.30
U.A.E.	6.9065 - 6.9285	3.6700 - 3.6735

* Selling rate

POUND SPOT - FORWARD AGAINST THE POUND

Oct 2	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.8795 - 1.8890	1.8880 - 1.8890	1.11-1.09cpm	6.99	3.08-3.05pm	6.49
Canada	2.1685 - 2.1795	2.1765 - 2.1775	0.53-0.44cpm	2.67	1.41-1.26pm	2.45
Netherlands	3.30 - 3.31½	3.30½ - 3.31½	2-1¾cpm	7.02	5¼-5pm	6.12
Belgium	60.30 - 60.65	60.50 - 60.60	37-30cpm	6.64	94-83pm	5.85
Denmark	11.18½ - 11.24¼	11.23¼ - 11.24¼	5-4¼orepm	4.87	11¾-10½pm	3.98
Ireland	1.0910 - 1.0940	1.0920 - 1.0930	0.45-0.40pm	4.67	1.10-1.00pm	3.84
W. Germany	2.92¾ - 2.94	2.93¾ - 2.94	1⅝-1½pfpm	6.38	4½-4¼pm	6.04
Portugal	259.10 - 261.15	260.10 - 261.10	14-5cpm	0.44	25-74dis	−0.76
Spain	183.00 - 184.05	183.50 - 183.80	6-4cpm	0.33	6-4cpm	0.11
Italy	2191¼ - 2202	2197¾ - 2198¾	11-10cpm	5.73	24-22pm	4.19
Norway	11.35½ - 11.40¼	11.38¾ - 11.39¾	4¼-3½orepm	4.02	10¾-9½pm	3.59
France	9.81¼ - 9.84½	9.83½ - 9.84½	4½-4¼cpm	5.26	10¾-10⅜pm	4.29
Sweden	10.78¾ - 10.83½	10.82½ - 10.83½	2¼-1⅝orepm	2.15	5-3¾pm	1.62
Japan	257 - 259	258 - 259	1⅝-1½ypm	7.25	4½-4pm	6.29
Austria	20.60 - 20.68	20.65 - 20.68	11¾-11gropm	6.64	30¼-28¼pm	5.65
Switzerland	2.43½ - 2.45	2.43½ - 2.44½	1½-1¼cpm	7.07	4-3¾pm	6.45
ECU	1.4180 - 1.4245	1.4230 - 1.4240	0.63-0.60cpm	5.18	1.60-1.55pm	4.43

Commercial rates taken towards the end of London trading. Six-month forward dollar 5.82-5.77cpm . 12 Month 10.10-10.00cpm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Oct 2	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.8795 - 1.8890	1.8880 - 1.8890	1.11-1.09cpm	6.99	3.08-3.05pm	6.49
Ireland†	1.7205 - 1.7260	1.7250 - 1.7260	0.35-0.30cpm	2.26	1.10-1.00pm	2.43
Canada	1.1525 - 1.1555	1.1525 - 1.1535	0.42-0.45cdis	−4.53	1.18-1.23dis	−4.18
Netherlands	1.7520 - 1.7585	1.7520 - 1.7530	0.01-0.04cdis	−0.17	0.17-0.21dis	−0.43
Belgium	32.00 - 32.15	32.00 - 32.10	3.00-6.00cdis	−1.68	4.00-8.00dis	−0.75
Denmark	5.94¼ - 5.96	5.94¾ - 5.95¼	0.90-1.20oredis	−2.12	2.90-3.45dis	−2.13
W. Germany	1.5535 - 1.5610	1.5545 - 1.5555	0.02-0.04pfdis	−0.23	0.17-0.20dis	−0.48
Portugal	137.85 - 138.25	138.10 - 138.20	65-75cdis	−6.08	220-250dis	−6.80
Spain	97.15 - 97.60	97.40 - 97.50	51-56cdis	−6.59	151-159dis	−6.36
Italy	1163½ - 1168	1163¾ - 1164¼	1.80-2.30liredis	−2.11	6.70-7.70dis	−2.47
Norway	6.03 - 6.05	6.03 - 6.03½	1.50-1.85oredis	−3.33	4.20-4.70dis	−2.95
France	5.20½ - 5.22½	5.20¾ - 5.21¼	0.82-0.87cdis	−1.95	2.75-2.85dis	−2.15
Sweden	5.73 - 5.74½	5.73¼ - 5.73¾	2.20-2.45cdis	−4.86	6.55-6.75dis	−4.64
Japan	136.50 - 137.05	136.85 - 136.95	0.03ydis-0.01ypm	−0.09	0.04-0.07dis	−0.16
Austria	10.93¾ - 10.97	10.95 - 10.95½	0.30-0.66grodis	−0.53	1.70-2.75dis	−0.81
Switzerland	1.2910 - 1.3005	1.2915 - 1.2925	0.07-0.05cpm	0.46	0.04-0.07dis	−0.17
ECU	1.3225 - 1.3285	1.3275 - 1.3285	0.21-0.20cpm	1.85	0.70-0.68pm	2.08

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Oct 2	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	15 - 14¾	15 - 14¾	14⅞ - 14¾	14⅞ - 14¾	14⅞ - 14¾	14⅞ - 14⅝
US Dollar	8¼ - 8⅛	8⅛ - 8	8⅛ - 8	8⅛ - 8	8⅛ - 8	8⅛ - 8⅛
Can. Dollar	12 - 11¾	12⅛ - 11⅞	12⅛ - 11⅞	12⅛ - 12	12⅛ - 12	11⅞ - 11¾
D. Guilder	8⅛ - 7⅞	8¼ - 8	8⅜ - 8¼	8⅝ - 8½	8¾ - 8⅝	8⅞ - 8¾
Sw. Franc	7¾ - 7½	7¾ - 7½	7⅞ - 7¾	8 - 7⅞	8¼ - 8⅛	8⅜ - 8¼
Deutschemark	8¼ - 8⅛	8⅜ - 8¼	8⅜ - 8¼	8⅝ - 8½	8⅞ - 8¾	9 - 8⅞
Fr. Franc	9⅞ - 9⅝	9⅞ - 9⅝	9⅞ - 9⅝	10¼ - 10⅛	10⅜ - 10¼	10⅝ - 10½
Italian Lira	13 - 11	10½ - 9½	10¼ - 9¾	10¾ - 10½	11¼ - 11	11¾ - 11½
Belgian Franc	9⅛ - 8⅞	9⅛ - 8⅞	9 - 8¾	9⅛ - 8⅞	9¼ - 9⅛	9½ - 9⅜
Yen	7⅞ - 7⅝	7⅞ - 7⅝	8 - 7⅞	8⅛ - 8¼	8½ - 8⅜	8⅝ - 8½
D.Krone	9¾ - 9½	9¾ - 9½	10⅛ - 10⅛	10¼ - 10⅛	10⅝ - 10½	10¾ - 10⅝
Asian $Sing	8⅛ - 8⅛	8¼ - 8¼	8⅛ - 8	8¼ - 8	8¼ - 8	8⅛ - 8⅛

Long term Eurodollars: two years 8⅝-8⅞ per cent; three years 8⅞-8⅞ per cent; four years 8⅞-8⅞ per cent; five years 9⅛-8⅞ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Oct.2	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.889	2.938	258.5	9.840	2.440	3.310	2198	2.177	60.55
$	0.529	1	1.555	136.8	5.209	1.292	1.752	1164	1.152	32.05
DM	0.340	0.643	1	87.99	3.349	0.830	1.127	748.1	0.741	20.61
YEN	3.868	7.308	11.37	1000.	38.07	9.439	12.80	8503	8.422	234.2
F Fr.	1.016	1.920	2.986	262.7	10.	2.480	3.364	2234	2.212	61.53
S Fr.	0.410	0.774	1.204	105.9	4.033	1	1.357	900.8	0.892	24.82
H Fl.	0.302	0.571	0.888	78.10	2.973	0.737	1	664.0	0.658	18.29
Lira	0.455	0.859	1.337	117.6	4.477	1.110	1.506	1000.	0.990	27.55
C $	0.459	0.868	1.350	118.7	4.520	1.121	1.520	1010	1	27.82
B Fr.	1.652	3.120	4.852	426.9	16.25	4.030	5.467	3630	3.595	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS

LIFFE US TREASURY BOND FUTURES OPTIONS

LIFFE BUND FUTURES OPTIONS

LIFFE EURODOLLAR OPTIONS

LIFFE EUROMARK OPTIONS

LIFFE SHORT STERLING OPTIONS

LONDON (LIFFE)

CHICAGO

U.S. TREASURY BONDS (CBT) 8%

JAPANESE YEN (IMM)

DEUTSCHE MARK (IMM)

U.S. TREASURY BILLS (IMM)

THREE-MONTH EURODOLLAR (IMM)

SWISS FRANC (IMM)

STANDARD & POORS 500 INDEX

PHILADELPHIA SE £/$ OPTIONS

THREE-MONTH STERLING

THREE-MONTH EURODOLLAR

THREE MONTH EUROMARK

THREE MONTH ECU

FT-SE 100 INDEX

POUND-$ (FOREIGN EXCHANGE)

IMM-STERLING

10 YEAR 10% NOTIONAL FRENCH BOND (MATIF) FUTURES

OPTION ON LONG-TERM FRENCH BOND (MATIF)

THREE-MONTH PIBOR FUTURES (MATIF) (Paris interbank offered rate)

	Open	Close	Change	High	Low	Yield	Open int.
December	89.79	89.80	+0.03	89.88	89.77	10.21	18,203
March	89.84	89.74	+0.01	89.84	89.74	10.26	4,352
June	89.81	89.72	+0.02	89.81	89.70	10.28	785
September	89.73	89.73	+0.05	89.73	89.73	10.31	135

Estimated volume 7,471 Total Open Interest 23,475

CAC-40 FUTURES (MATIF) Stock Index

	Open	Close	Change	High	Low	Open int.
October	1600.0	1587.0	+27.0	1605.0	1574.0	11,793
November	1598.0	1586.0	+22.0	1598.0	1586.0	243
December	1608.0	1602.5	+27.5	1608.0	1602.5	222
March	-	-	-	-	-	0

Estimated volume 11,873 Total Open Interest 12,258

BASE LENDING RATES

	%		%		%
ABN Bank	15	Coutts & Co	15	NatWestminster	15
Adam & Company	15	Cyprus Popular Bk	15	Northern Bank Ltd	15
Allied Trust Bank	15	Dunbar Bank PLC	15	Nykredit Mortgage Bank	15½
Allied Irish Bank	15	Duncan Lawrie	15	Provincial Bank PLC	16
● Henry Ansbacher	15	Equatorial Bank plc	15	Roxburghe Bank Ltd.	15½
Associates Cap Corp	15½	Exeter Trust Ltd	15½	Royal Bk of Scotland	15
● B & C Merchant Bank	15	Financial & Gen. Bank	15	Royal Trust Bank	15
Bank of Baroda	15	First National Bank Plc.	16½	● Smith & Williamson Secs.	15
Banco Bilbao Vizcaya	15	● Robert Fleming & Co.	15	Standard Chartered	15
Bank Credit & Comm	15	Robert Fraser & Ptnrs.	15½	TSB	15
Bank of Cyprus	15	Girobank	15	Unibank plc	15
Bank of Ireland	15	● Guinness Mahon	15	● United Bk of Kuwait	15
Bank of India	15	HFC Bank plc	15	United Mizrahi Bank	15
Bank of Scotland	15	● Hambros Bank	15	Unity Trust Bank Plc	15
Banque Belge Ltd	15	Hampshire Trust Plc	15½	Western Trust	15
Barclays Bank	15	Heritable & Gen Inv Bnk.	15	Westpac Bank Corp.	15
Benchmark Bank	15	● Hill Samuel	§15	Whiteaway Laidlaw	15
Brit Bk of Mid East	15	C. Hoare & Co.	15	Yorkshire Bank	15
● Brown Shipley	15	Hongkong & Shanghai	15		
CL Bank Nederland	15	● Leopold Joseph & Sons	15		
● Charterhouse Bank	15	Lloyds Bank	15		
Citibank NA	15	Meghraj Bank Ltd	15		
City Merchants Bank	15	McDonnell Douglas Bnk.	15		
Clydesdale Bank	15	Midland Bank	15		
Comm.Bk.of London Plc	15	Mount Banking	15		
Co-operative Bank	*15	Nat Bk. of Kuwait	15		

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MONEY MARKETS

London rates steady

THERE WAS little change in interest rates on the London money market yesterday. Quiet trading produced no reaction to a larger than expected fall in UK official reserves.

Three-month sterling interbank was quoted at 14⅞-14⅝ per cent against 14⅞-14¾ and 12-month money was steady at 14⅞-14⅝ per cent.

Futures trading on Liffe was also subdued. December short sterling opened slightly firmer at 85.66 and closed at that level compared with 85.62 previously.

UK clearing bank base lending rate 15 per cent from October 5, 1989

The Bank of England initially forecast a money market credit shortage of £650m, but revised this to £700m at noon and to £850m in the afternoon.

Total help of £672m was provided. Before lunch the authorities bought £388m bank bills in band 2 at 14¾ per cent. In the afternoon £274m bills were purchased, by way of £26m bank bills in band 1 at 14¾ per cent and £248m bank bills in band 2 at 14¾ per cent. Late assistance of around £10m was also given.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £688m, with Exchequer transactions absorbing £145m. These outweighed a fall in the note circulation adding £80m to liquidity and bank balances above target of £80m.

In Frankfurt call money remained above the 8 per cent Lombard emergency financing rate despite the addition of a net DM1.3bn by the Bundesbank at this week's securities repurchase agreement tender. The rate for call money was unchanged at 8.05 per cent after the Bundesbank accepted bids of DM30.0bn at the two-tranche tender, compared with two expiring pacts totalling DM28.7bn. Banks will be credited with the money tomorrow, after today's German unification holiday.

The central bank provided DM19bn of 29-day funds at rates of 8.00-8.15 per cent and DM11bn of 62-day money at 8.05-8.30 per cent. This was roughly in line with market expectations of volume and rates.

Tight conditions continued to encourage some banks to use Lombard facilities for funds. On Monday Lombard borrowings rose to DM6.9bn from DM4.7bn on Friday. Banks reserve holdings in September averaged DM69.7bn, against the Bundesbank's estimate of a net requirement for the month of DM68.9bn.

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

JOTTER PAD

CROSSWORD

No.7,357 Set CINEPHILE

ACROSS

1 Home to suit rodents, about forty-nine (8)
5 Terms for fish? (6)
10 Herb is a boy's name (5)
11, 12 Mother comes round about something hidden in fruit drink by civil servant (9,9)
13 British tree, tastelessly showy (5)
14 Express disapproval of small boy ready to ride? (6)
15 Nurse to run true to form? (7)
18 Cart gives model a lot of protection in wet weather (7)
20 Broken thread in short supply (6)
22 Man in headgear that costs little (5)
24, 25 Sympathetic action for a short time on a railway, and classically during fruit harvest (9,9)
26 Call about island or part of one in the Caribbean (5)
27 Agriculturalist on boat (6)
28 Picture of card game's dangerous (8)

DOWN

1 Lower graduates into river (6)
2 Play area, I see, heard among lots of fungus (5,4)
3 Rare item for prayer or point in flavour (10, 5)
4 Northern region for boy without map (7)
6 Joseph, Austen and Neville take joint steward's job (15)
7 Start being poetical with painters in place of singers (5)
8 Servant admits Thai leaders separately maybe with this (8)
9 Drawer, top of chest, for textile fabric (6)
16 Frequency before a fall? (9)
17 River leaving town near Manchester is source of soup (8)
19 Romance about fool and girl (6)
20 Figure found in lion house about a century ago (7)
21 Worker in office that's short-handed? (6)
23 40 is heard to do very well (5)

Solution to Puzzle No.7,356

TALAPOIN MASCOT / PISOLITE SCRAPE / EYEBRIGHT NAIAD / SPAR TRIREME / RAPPORT BAND / SPACE SURRENDER / ELECTS PLAUDITS / TUTORS MALTREAT

هكذا صدر الأصل

هكذا منه التصل

WORLD STOCK MARKETS

CANADA

TORONTO
2pm prices October 2

7835 Pioneer M	7	7	7
386265 Placer Dm	$19⅞	19⅜	19½ + ⅛
1450 Poco Pet	$8⅜	8¼	8¼
6300 Powr Cor f	$14½	14¼	14¼
500 Powr Fin	$17½	17½	17½ + ⅛
26000 Provigo	$9	9	9
150 Quebcor A	$11⅞	11⅞	11⅞ + ⅛

25800 Wst Fraser	$18½	18½	18½ + ½
61534 Wcoast E	$21	20⅞	21
11250 Weston	$30⅛	30⅛	30⅛ + ⅛
2000 Woodwd A	135	135	135

f– No voting rights or restricted voting rights.

INDICES

NEW YORK

DOW JONES	Oct. 1	Sept. 28	Sept. 27	Sept. 26	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2515.84	2452.48	2427.48	2459.65	2999.75 (16/7)	2427.48 (27/9)	2999.75 (16/7/90)	41.22 (2/7/32)
Home Bonds	89.05	88.77	88.70	88.69	93.04 (3/1)	88.44 (24/9)	—	—
Transport	873.15	841.35	828.03	846.52	1212.77 (6/6)	828.03 (27/9)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	203.35	198.57	198.69	199.76	236.23 (2/1)	190.96 (24/8)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 2534.65 (2465.59) Low 2446.53 (2367.82)

STANDARD AND POOR'S	Oct. 1	Sept. 28	Sept. 27	Sept. 26	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	314.94	306.05	300.97	305.06	368.95 (16/7)	300.97 (27/9)	368.95 (16/7/90)	4.40 (1/6/32)
Industrials	370.54	360.47	355.12	359.99	437.37 (16/7)	355.12 (27/9)	437.37 (16/7/90)	3.62 (21/6/32)
Financial	21.59	20.87	19.88	20.63	31.87 (3/1)	19.88 (27/9)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	172.22	167.85	165.36	167.52	201.13 (16/7)	165.36 (27/9)	201.13 (16/7/90)	4.46 (25/4/42)
Amex Mkt. Value	308.44	307.72	305.43	310.06	382.45 (5/1)	305.43 (27/9)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	354.65	344.51	341.19	350.03	469.60 (16/7)	341.19 (27/9)	485.73 (9/10/89)	54.87 (31/10/72)

	Sept.28	Sep.21	Sep.14	year ago (approx.)
Dow Industrial Div. Yield	4.14	4.03	3.95	3.74
	Sept 26	Sep.19	Sept12	year ago (approx.)
S & P Industrial div. yield	3.49	3.29	3.28	2.76
S & P Indl. P/E ratio	14.55	15.12	15.44	14.35

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day
Philip Morris	3,550,700	47⅞	+ 2½
Pepsico	3,021,900	24⅝	+ 1⅛
Gen. Electric	2,831,300	56¼	+ 1¼
Citicorp	2,371,300	15⅛	+ ⅞
Waste Mngmt.	2,317,100	34¼	+ ½
AT & T	2,233,300	32⅝	+ 1¼
Wal-Mart	2,057,500	29	+ 1⅛
GTE Corp.	2,004,700	28⅞	+ 1⅛
IBM	1,850,600	109	+ 2⅞
Fannie Mae	1,816,700	29⅛	+ 1⅞

TRADING ACTIVITY

† Volume (Millions)	Oct. 1	Sept. 28	Sept. 27
New York	202.210	201.010	182.690
Amex	17.193	12.804	12.826
NASDAQ	124.983	157.507	153.277
Issues Traded	1,997	1,968	1,992
Rises	1,194	886	398
Falls	435	688	1,191
Unchanged	368	394	403
New Highs	2	-	1
New Lows	125	440	411

CANADA

TORONTO	Oct. 1	Sept 28	Sept 27	Sept 26	1990 HIGH	1990 LOW
Metals & Minerals	2904.67	2860.86	2868.40	2873.50	3453.05 (4/1)	2850.80 (23/4)
Composite	3175.67	3159.37	3161.49	3181.48	4009.47 (3/1)	3159.37 (28/9)
MONTREAL Portfolio	1690.82	1675.12	1670.81	1681.40	2060.90 (3/1)	1670.81 (27/9)

Base values of all indices are 100 except NYSE All Common–50; Standard and Poor's–10; and Toronto Composite and Metals–1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Oct. 2	Oct. 1	Sept. 28	Sept. 27	1990 HIGH	1990 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1436.1	1385.7	1398.3	1393.6	1713.7 (12/1)	1385.7 (26/9)
All Mining (1/1/80)	699.1	695.4	705.4	705.1	868.8 (5/1)	695.4 (1/10)
AUSTRIA						
Credit Aktien (30/12/84)	439.59	420.29	401.75	404.58	783.29 (19/3)	400.98 (25/9)
BELGIUM						
Brussels SE (Cash Mkt) (1/1/80)	5162.93	5046.67	5007.06	4997.61	6599.43 (12/1)	4959.91 (25/9)
DENMARK						
Copenhagen SE (3/1/83)	339.46	335.33	331.69	331.41	388.29 (20/7)	331.41 (27/9)
FINLAND						
Unitas General (1975)	438.4	426.5	428.8	428.4	677.3 (23/1)	425.0 (26/9)
FRANCE						
CAC General (31/12/82)	431.76	415.93	415.32	413.09	564.62 (30/3)	410.18 (26/9)
CAC 40 (31/12/87)	1573.93	1540.81	1491.76	1523.95	2129.32 (20/4)	1485.39 (25/9)
GERMANY						
FAZ Aktien (31/12/58)	617.90	599.94	569.69	595.44	832.32 (19/7)	569.69 (28/9)
Commerzbank (1/12/53)	1771.40	1719.3	1628.7	1704.8	2414.0 (3/4)	1628.7 (28/9)
DAX (30/12/87)	1444.89	1420.73	1334.89	1354.08	1968.55 (30/3)	1334.89 (28/9)
HONG KONG						
Hang Seng Bank (31/7/64)	2905.48	2791.26	2760.82	2767.95	3559.89 (23/7)	2738.24 (1/2)
IRELAND						
ISEQ Overall (4/1/88)	1219.93	1207.47	1208.12	1223.43	1893.10 (22/1)	1207.47 (1/10)
ITALY						
Banca Com. Ital. (1972)	578.68	562.58	557.57	562.88	763.52 (14/6)	554.38 (25/9)
JAPAN						
Nikkei (16/5/49)	22898.41	20221.86	20983.50	21771.91	38712.88 (4/1)	20221.86 (1/10)
Tokyo SE (Topix) (4/1/68)	1668.83	1523.43	1578.95	1620.26	2867.70 (4/1)	1523.43 (1/10)
2nd Section (4/1/68)	2917.02	2859.49	2972.46	3094.91	4477.16 (16/7)	2859.49 (1/10)
MALAYSIA						
KLSE Composite (4/4/86)	475.83	(c)	459.08	469.84	632.22 (1/8)	459.08 (28/9)
NETHERLANDS						
CBS Ttl Rtn Gen (End 1983)	235.2	232.0	228.2	231.5	271.9 (20/7)	228.2 (28/9)
CBS All Shr (End 1983)	172.7	170.5	167.6	170.0	206.3 (3/1)	167.6 (28/9)
NORWAY						
Oslo SE (Ind) (2/1/83)	790.37	789.39	787.32	794.24	915.13 (2/8)	701.67 (2/1)
PHILIPPINES						
Manila Comp (2/1/85)	537.77	535.50	546.55	544.02	1160.70 (21/3)	535.50 (1/10)
SINGAPORE						
SES All-Singapore (2/4/75)	319.04	308.40	307.36	310.13	446.87 (16/7)	307.36 (28/9)
SOUTH AFRICA						
JSE Gold (28/9/78)	1499.04	1537.0	1603.0	1602.0	2230.0 (16/1)	1322.0 (20/6)
JSE Industrial (28/9/78)	2664.06	2640.0	2660.0	2719.0	3211.0 (6/2)	2640.0 (1/10)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	(c)	(c)	597.67	593.45	928.82 (4/1)	566.27 (17/9)
SPAIN						
Madrid SE (30/12/85)	223.64	213.70	209.37	212.04	309.74 (16/7)	209.37 (28/9)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	(u)	957.3	918.0	945.4	1329.9 (5/7)	910.0 (28/9)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	646.2	630.1	613.4	625.3	845.5 (13/7)	613.4 (28/9)
TAIWAN**						
Weighted Price (30/6/66)	2593.75	2560.47	(c)	2705.01	12495.34 (10/2)	2560.47 (1/10)
THAILAND						
Bangkok SET (30/4/75)	704.51	654.39	641.56	630.15	1143.78 (25/7)	613.95 (25/9)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	429.8	423.1	425.2	571.0 (4/1)	423.1 (28/9)

**Saturday September 29: Taiwan Weighted Price: (c) Korea Comp Ex. 602.88
& Subject to official recalculation.
April Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX–1,000, JSE Gold–255.7, JSE 25 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Tuesday 2 October 1990

	Stocks Traded	Closing Prices	Change on day
Hitachi	26.8m	1,330	+140
Nippon Steel	19.8m	445	+45
Kobe Steel	19.6m	535	+59
Matsushita	15.3m	1,950	+200
MHI	13.9m	735	+95
Toshiba	10.3m	849	+100
Kurabo Ind	7.2m	1,050	-200
NKK	7.0m	420	+60
Honshu Paper	7.0m	2,800	-500
Fujitsu	6.6m	1,200	+180

3pm prices October 2

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A–A–A –								
37½	11⅞	AAR	.48	3.8	8	622	13	12½	12⅝	+ ⅛
9⅜	7¾	ACM n	1.01	12.		140	8⅛	8	8⅛	
11⅝	8⅝	ACMIn	1.26	13.		709	9⅝	9¼	9⅜	+ ⅛
9¼	6½	ACM M	n1.01	14.		784	7⅜	6⅞	7⅜	+ ½
12¼	10	ACMMM	1.50	13.		124	11⅝	11½	11½	
11½	8⅞	ACM Sc	1.26	14.		875	9⅛	8⅞	9	+ ⅛
9⅜	7¼	ACMSp	1.01	13.		456	8	7⅞	8	+ ⅛
24⅝	14⅜	AL Lab	.16	.8	17	60	19	18½	19	+ ⅜
5¾	1⅛	AM Intl				311	1½	1⅜	1½	
23¼	7	AM In pf	2	25.		21	8⅛	8⅛	8⅛	
107¼	39¼	AMR			10	8428	45⅞	44⅝	44⅞	– ⅜
4¼	2⅜	ARX			9	360	3	2⅞	3	– ⅛
72¾	42⅞	ASA	3a	6.3		469	48	47¼	47⅛	+ ⅛
45⅝	30⅝	AbtLab	s.84	2.0	20	7324	42½	41⅝	41¾	+ ¼
14⅝	11¼	AbtMbl	g .50			6	12⅝	12⅝	12⅝	– ⅛
11⅝	6¼	AcmeC	.40	6.6	7	55	6⅛	6	6⅛	+ ¼
9⅜	6⅛	AcmeE	.32	4.6	8	22	6⅞	6½	6⅞	+ ¼
32¼	16⅞	Acuson	s		25	622	29⅞	29¼	29½	+ ½
16⅞	14⅜	AdaEx	2.08e	14.		211	15	14⅞	15	+ ⅛
16⅜	10	Adobe			9		12⅛	12	12	– ⅛
20¼	17⅞	Adob pf	1.84	10.		5	17¾	17⅛	17⅛	+ ⅛
21⅝	19⅛	Adob pf	2.40	12.		10	20¼	20¼	20¼	+ ¼
11⅜	4⅞	AMD			22	3869	5⅜	5⅜	5½	+ ⅛
32¼	16⅞	AMD pf	3	16.		24	19	18⅞	18⅞	
9¼	2	Advest	.16	6.4	31	110	2½	2⅜	2½	
62½	35¼	AetnLf	2.76	7.1	6	2269	39⅞	39½	39⅝	– ⅛
13¾	8	AfiIPb	.24	2.8		378	8½	8¼	8¼	– ¼
25	11⅜	Ahmans	.88	6.0	6	2935	15	14⅞	14⅞	+ ⅜
3¼	1⅞	Aileen			6	324	3	2⅞	3	+ ⅜
61	43	AirPrd	1.44	3.0	12	629	48¼	47¾	47⅞	+ ¼
27	14½	AirFrt	s .30	1.8	9	635	17¼	17	17	
24½	12½	Airgas			25	65	13¾	13¼	13½	+ ⅛
20¾	16⅞	Airlease	2.52	15.	8	23	16¾	16⅝	16⅝	
23½	21¼	AlaP	pf2.07e	8.9		1	23¼	23¼	23¼	– ⅛
10¼	8	AlaP	dpf.87	9.6		14	9¼	9⅛	9⅛	+ ⅛
95¼	90	AlaP pf	9	9.7		z500	93	93	93	+1
[illegible]										

Continued on Page 39

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NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
26½	18¼	Raycor	3.60	19.	5	74	19¼	18¾	19	+ ⅛
2⅞	1½	vjRayto			2	5	1½	1½	1½	
85	67⅞	Raythe	2.40	3.6	8	4215	67⅞	66	66¾	+ ⅞
27⅞	21	RdrDg n	.48	1.9	17	1916	24⅞	24⅛	24⅞	+ ⅛
5	1	RdgBte				387	2⅛	2	2	
16½	12½	REIT	1.42	11.	9	18	13	12¾	12⅞	+ ¼
15¾	12⅞	RltRef	1.72	14.	7	20	12⅝	d12½	12½	− ⅛
20	8⅞	Reebok	.30	3.0	6	3116	10½	10	10	− ⅛
12⅝	2½	Reece	.05j			24	3	3	3	
15	6¾	ReichTg	1.52	18.	5	41	8⅞	8⅛	8⅞	+ ⅛
7⅛	4⅞	RelGrp	.32	6.0		216	5⅞	5⅛	5⅞	+ ⅛
30⅞	19½	Repsol	n.85e	3.8		2083	22⅛	21⅞	22⅛	+ 1
5	3⅛	RepGyp	.10t	5.2	91	2	3⅛	3⅛	3⅛	
52⅞	37⅛	RepNY	1.32	3.4	123	221	39⅛	38½	38½	+ 1⅛
8	1¼	Revco				121	1⅞	1⅝	1⅞	+ ⅛
27⅛	12⅞	RayRey	.80	5.8	5	77	13¾	13¼	13¾	+ ½
70	48½	ReyMt	1.80	2.9	8	2320	63	62	62½	+ ½
67⅞	56¼	RP Rov n				1837	62	61⅛	61⅞	+ ½
19	8⅞	RhP pfA1.60e	17.			6	9⅛	9⅛	9⅛	− ⅛
3⅞	⅞	RhnP wt				36	15-16	⅞	⅞	
22	9⅞	RhnPl	n1.60e	15.		21	10½	10	10½	+ ⅞
41⅞	29½	RiteAid	.90	2.8	18	868	32¼	31⅛	32½	+ 1
11-32	3-64	RvrOak				65	9-128	1-16	1-16	+ 1-128
18⅛	10	RbtsHl			9	35	10	10	10	
14½	6⅞	Robtsn				107	7½	7⅛	7½	+ ⅛
22⅞	15⅞	RochG	1.56	8.3	10	387	19⅛	18⅞	18⅞	
45⅛	25	RochTl	1.48	5.3	14	757	27⅝	27	27⅞	− ⅛
22⅞	16⅛	RckCtr	1.88	12.	15		16⅛	d15⅞	16⅛	+ ⅛
26⅞	19⅞	Rockwl	.86	3.4	10	1945	25⅝	24⅞	25	
194½	140	Rkdat pf1.35		.8		12	180	180	180	
7⅞	5	RodRen			18	2	5⅞	5⅞	5⅞	
36⅞	24¼	RoHaas	1.24	4.7	10	1703	26⅞	26	26⅞	+ ⅞
28⅞	11⅝	Rohr				577	13¼	12⅞	12⅞	+ ⅞

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

AMEX COMPOSITE PRICES

3pm prices October 2

NASDAQ NATIONAL MARKET

3pm prices October 2

Stock	Div.	P/E	Sales 100s	High	Low	Last	Chng
WilmTr	1.44	9	146	33	31¼	33	+ 1
WiserO	.40	31	192	19¼	18⅞	18¾	− ½
Wolohn	.28b	7	179	12½	12	12¼	+ ⅞
WrldExp			606	6⅞	6⅞	6⅞	− ⅛
WrldEx pf			73	18⅞	d18⅛	18⅛	− ⅞
Worthg	.60	15	460	20⅞	20	20⅛	+ ¼
Wyman	.60		724	8⅛	8	8	− ⅛
−X−Y−Z−							
XL Dta		4	28	7⅛	7	7	− ⅛
XOMA			2135	18½	17⅛	17⅛	+ ⅛
Xilinx			933	13¼	d11⅞	11⅞	− 1⅛
YanEnS	1.02	15	132	19	18½	19	
YelowF	.82	41	1252	21⅛	20⅞	20⅞	
YorkRs		12	1309	10⅛	9½	9½	+ ⅛
Zeos		16	189	14	12⅛	14	+ 1⅞
ZionBc	1.44	7	17	25⅛	25⅛	25⅛	+ 1

AMERICA

Dow rises in optimistic trade as oil prices slide

Wall Street

OPTIMISM characterised yesterday morning's stock market, with equities posting steady gains in heavy trading thanks to sliding oil prices and the strength of the Tokyo stock market, *writes Karen Zagor in New York*.

At 2 pm, the Dow Jones Industrial Average was up 14.85 at 2,530.69 compared with a gain of 63.36 to 2,515.84 on Monday. Volume was heavy, *with more than 130m shares* changing hands by midday. Advancing issues led decliners by three to one.

Both stock and bond market reacted positively to falling oil prices, which continued to decline through the morning. At midsession, November crude oil was quoted down $2.14 at $34.95 a barrel.

Oil stocks continued to move lower yesterday morning in the wake of declining oil prices. Mobil lost $½ to $62⅝, Amoco slid $1⅛ to $55⅛ and Atlantic Richfield dropped $⅞ to $131⅛.

Oil service companies recouped some of their previous day's losses with Schlumberger adding $1⅝ *to* $60⅝, Dresser Industries $1 to $19⅞ and Halliburton $1⅝ to $51⅛.

Although gold prices continued to move lower, gold shares were mixed. Asa added $⅛ to $47½, Battle Mountain Gold slipped $⅛ to $9⅝ and Newmont Mining gained $¼ to $40⅛.

UAL, the parent of United Air Lines, jumped $13⅛ to $116 on reports that progress was being made in arranging the $2bn backing needed for the proposed union buy-out of the company.

Tonka jumped $⅝ to $5 on reports that Mr Malcolm *Glazer may seek control of the* toy manufacturer.

Tiffany added $1⅞ to $33⅞ after several securities companies said they were bullish about the stock.

PepsiCo was quoted $¼ higher at $25 after the soft drink and snack food manufacturer said it had acquired about 70 per cent of Empresas Gamesa for about $300m.

Blue chip issues continued to pace the market, with Philip Morris improving $⅜ to $48⅝, General Electric rising $⅞ to $57⅞, and IBM improving $1¼ to $110¼.

Among other airline issues, AMR, parent of American Airlines, was unchanged at $45, Delta Air Lines was down $¼ at $56⅞ and USAir was $⅝ higher at $16¼.

In the secondary market, the NASDAQ composite added $5.09 to 359.74 by midday. Apple Computer, the most active over-the-counter stock, rose $⅛ to $31.

Financial News Network jumped $1 to $3⅝ after falling $2½ on Monday. The company said yesterday that Tele-Communications had agreed to continue carrying FNN programming on its nationwide cable television systems. Tele-Communications Class A shares were *unchanged at $11⅛*.

Canada

TORONTO stocks surged at midday on bargain-hunting amid hopes that the Federal Reserve would ease interest rates. *Bank shares led the* bounce, and transport stocks rose on a report that banks backing a proposed buy-out of UAL appeared to be making progress. The oil, gas and pipelines sectors were the only losers as crude prices slipped.

The composite index gained 29.5 to 3,205.02 on volume of 14.7m shares. Advances led declines by 233 to 197.

Air Canada rose C$¼ to C$8⅛ and PWA gained C$⅞ to C$9¼.

ASIA PACIFIC

Largest single-day gain puts Nikkei up 13%

Tokyo

SHARE prices soared yesterday amid a marked lack of selling as investors took heart from greater prospects for a peaceful Middle East resolution, Wall Street's overnight rise, lower crude oil prices and the Japanese finance ministry's measures to support the market. The Nikkei average jumped more than 2,600 points, the largest single-day gain ever, *writes Michiyo Nakamoto in Tokyo*.

The Nikkei average got off to a flying start and continued its strong advance throughout the *day before closing with a spec*tacular gain of 2,676.55 or 13.2 per cent at 22,898.41. The index advanced in intraday trading to a high of 22,899.46 from a low of 20,221.86.

Advancing issues were widely ahead of decliners by *768 to 64 while 24 issues* were unchanged. The Topix index of all listed stocks rose a sharp 145.40 to 1,668.83, or 9.54 per cent, the single largest increase ever. In London, the ISE/Nikkei 50 index rose 0.15 to 1,357.55. Turnover was still weak at 550m shares. This was higher than Monday's 400m, however, and the first time since September 14 that volume has topped 500m shares.

Measures to support the market announced by Japan's finance minister late on Monday lifted market sentiment. The raising of the collateral assessment rate for stocks bought on margin was received favourably, as this would ease selling pressure on individuals facing additional margin calls.

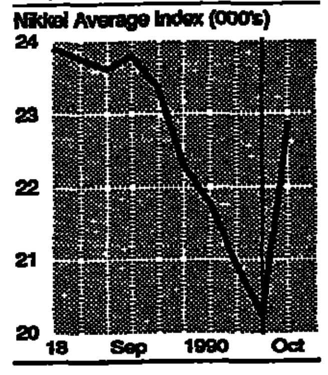
But the consensus was that share prices rose largely amid a lack of selling. "The market rose because it has been oversold, and the rise cannot be interpreted as the start of a *market recovery," said an ana*lyst at Sanyo Securities.

Foreigners were active buyers yesterday, prompting analysts to suggest that Tokyo was beginning to look like good value to overseas investors. The strong advance on *the cash market triggered a* rush of bid orders on the futures market, taking the Nikkei 225 futures and Topix December contracts to limit highs without any contracts actually being executed.

Investors favoured issues *that have fallen substantially* and therefore looked cheap. These included international blue-chips such as the large electricals, which have seen their price/earnings multiples *fall to levels comparable to* those on Western markets.

Japan

Nikkei Average Index (000's)



Hitachi surged Y140 to Y1,330 and Mitsubishi Electric rose Y200 to Y1,590. High-priced electricals were popular, with Sony advancing Y950 to Y6,630. Matsushita Electrical advanced Y200 to Y1,950.

Issues that had been bought on talk that speculative groups were accumulating shares continued to lose ground on concern that the speculators were having financing difficulties. Honshu Paper closed with the *maximum single-day loss of* Y500 at Y2,900 with about 8m shares left unsold.

Osaka rebounded sharply and the OSE posted its largest single-day gain of 1,772.82 to 24,157.06. Volume was thin, however, at 31.9m shares, down from Monday's 40.5m. The high-priced, high-tech Kyocera was pursued and gained Y1,020 to Y6,500.

Roundup

MARKETS took their cue from Tokyo and Wall Street, although index rises varied and volume in some markets was still relatively shallow.

BANGKOK exemplified the apparent lack of conviction. Turnover stayed thin although *the SET index rose 50.12, or 7.7* per cent, to 704.5 and almost 80 per cent of stocks finished at their 10 per cent limit highs.

HONG KONG saw better business as it rose 4 per cent on a wave of short-covering. The Hang Seng index put on 114.22, its best gain in more than a month, to 2,905.48 and turnover more than doubled from HK$463m to HK$1.02bn.

AUSTRALIA's turnover rose from A$121.6m, depressed by Monday's holiday in Sydney, to A$198.4m as the All Ordinaries index rose 20.4 to 1,406.1. News Corporation closed 42 cents higher at A$6.92 on turnover of 2.3m shares. The gain was said to be due mainly to short covering after the share price's recent tailspin.

NEW ZEALAND closed sharply higher as Wall Street lifted sentiment. Turnover was still light, at NZ$9.2m after NZ$6.9m. Lion Nathan rose 7 cents to NZ$2.97 on reports that its deal with Bell Resources of Australia, to take over the Australian brewing interests of Bond Corporation, would be sealed soon.

TAIWAN lost some of its early gains, the weighted index rising 33.28 to 2,593.75 after profit-taking ahead of today's holiday.

SINGAPORE rebounded smartly in moderate trading. The Straits Times Index gained 33.77 to 1,137.21. KUALA LUMPUR put on 126.75, or 3.7 per cent to 475.83, ending a 10-day losing streak.

EUROPE

Bourses fail to attract follow-through buying

SHARES ENDED below their highs in *Europe yesterday, in* spite of an early rise on Wall Street. Investors reacted positively to German reunification in the morning and squared positions in the afternoon, *writes Our Markets Staff.*

FRANKFURT ended below its best, but volume moved up from DM4.8bn to DM6bn as the DAX index closed 24.16 or 1.7 per cent higher at 1,444.89 after a rise of 17.96 or 3 per cent in the FAZ at midsession.

German reunification, and the public holiday marking the event today, were perceived in two ways: the first as an excuse for a positive mood in morning buying; and the second as a reason to square positions after midday, on the grounds that a lot could happen in the Gulf, or in the Wall Street and Tokyo markets, before the following morning.

Chemicals mostly reverted to type yesterday, moving little in relatively high volume, but Degussa fell against the trend by DM18.80 to DM321 – perhaps, said dealers, because of its gold refining interests and the plunge in the world bullion price on Monday.

Steels had another good day, Hoesch, Mannesmann and Thyssen putting on another DM5, DM10 and DM13, to DM220, DM262 and DM210.50 for two-day gains of DM21, DM34 and DM32.50 respectively. Mr Alexander Breidert of B Metzler in Frankfurt said that the steels has been picked out in advance for their prospects on a technical rally.

PARIS gained 3.4 per cent in early trading, but closed 2.1 per cent higher as follow-through buying failed to materialise. Turnover improved to about FFr2.4bn from FFr1.4bn.

The main news of the day was Peugeot's first-half profits figures, which were roughly in line with expectations. On further inspection, however, some doubts set in among investors, particularly over a decline in the cash flow. Peugeot shares ended FFr5 down at FFr537 after reaching a high of FFr559.

Sodexho, the catering company, shot up FFr35 or 8.9 per cent to FFr430; it reported a 17 per cent rise in annual net profit and said that it planned to end its cross shareholding with Wagons-Lits of Belgium. Accor, the hotels group and another leading Wagons-Lits shareholder, lost FFr12 to FFr698.

Several stocks that were being recommended before the recent declines recovered some strength, with L'Oréal up FFr28.80 at FFr489 and Air Liquide rising FFr29 to FFr632.

AMSTERDAM rose in tandem with other European bourses but volume remained low, and analysts were not convinced that the rally would continue for very much longer. The CBS Tendency index rose 2.6 to 97.1.

Ahold, the retailer, put on Fl 4.60 to Fl 129 following its unexpected proposal to withdraw all outstanding preferen*tial shares issued in August* last year as a defence mechanism against what it deemed to be threatening advances by the West German retailer, Asko Deutsche Kaufhaus. In addition, Ahold said it planned to split the nominal value of its ordinary shares of Fl 5 to Fl 2.50, to bring its share price within range of comparable shares in the US, before its listing on the US Nasdaq system, later this year.

Defensive consumer stocks continued to be in demand, with Unilever certificates up Fl 4 at Fl 141.80 and KBB up Fl 1.50 at Fl 89. Ahrend, the appliance and household durables group, was Fl 6 higher at Fl 197 after a strong pick-up in its furniture sales.

MILAN joined in the European rally, but dealers there also complained of a lack of volume. Participants were happy, however, that the spectre of Lombardfin had finally been put to rest, now that the broker *had been liquidated* and *the forced auction of its stock* was over. The Comit index rose 16.1 to 578.68, a gain of 2.9 per cent.

Fiat jumped L400 to L6,650 in spite of remarks by Mr Umberto Agnelli, vice-president, that the European car market could shrink by up to 8 per cent next year and that the Italian market could also suffer a similar fate. CIR, which has been among the most severely penalised stocks in recent weeks, put on L295 to L3,265.

STOCKHOLM jumped 5.5 per cent in brisk turnover of SKr496m. The market was relieved that trading had resumed in four of the six finance companies suspended last week after reports that they could not meet credit payments. The Affärsvärlden General index added 52.87 to 1,006.3.

Astra and Ericsson led the charge, with their free B shares rising SKr45 and SKr20 to SKr510 and SKr218 respec*tively.*

BRUSSELS saw Société Générale de Belgique put on BFr80 to BFr2,100 before reporting sharply lower profits for the first half after the market closed. The cash market index rose *116.26 to 5,162.93.*

ZURICH saw more action in the insurance sector following the forecast of higher 1990 profits from Zurich Insurance, which rose SFr170 to SFr3,890 for a two-day gain of SFr420, or 12 per cent. The Crédit Suisse index closed 11.3 higher at *506.8.*

MADRID advanced 4.7 per cent, as the general index rose 9.94 to 223.64 in a more active session.

ATHENS partially recovered from the previous day's fall, with the general index rising 47.6 or 4.4 per cent to 1,130.06, while ISTANBUL's index added 188.79 or 3.7 per cent to 5,324.35 in improved turnover of TL94.2bn. VIENNA's bourse index gained 16.29 or 3.4 per cent to 499.17 as foreign inves*tors moved into the market.*

SOUTH AFRICA

JOHANNESBURG shares fluctuated in thin trading yesterday and fell from their highs at the close as the financial rand swung sharply upwards. The all-gold index dropped 38 to 1,499, depressed by a weaker bullion price.

Iraqi invasion produces declines across the board

William Cochrane and **Jacqueline Moore** analyse the third quarter

IRAQ'S INVASION of Kuwait at the beginning of August took world markets into losses across the board *in the third quarter of* 1990. Only Mexico and Norway are now above their end-1989 levels, according to the FT-Actuaries World Indices.

One of the worst performers was Japan, falling 33.2 per cent in local currency terms on the quarter and 10.9 per cent last week before yesterday's recovery. Japan, with no oil resources of its own, has been particularly vulnerable to fears of higher oil prices following the Middle East crisis.

Elsewhere in the Far East, Singapore dropped 29.5 per cent on the quarter in local currency terms. Singapore has suffered from the Gulf-inspired fears of a world recession, which could lead to a decline in the services on which Singapore's economy depends. Its ship repair industry, for example, is dominated by the oil trade, explains Mr David Bates of Asia Pacific Securities.

The Singapore market has also been hit harder than some *of its neighbours because of its* liquidity: investors have been able to remove their cash at high speed. At greatest risk have been companies with joint ventures with Japanese concerns, which had been popular with Japanese investors. The fall in Tokyo prompted these investors to sell their stocks; the share price of Jurong Shipyard, for example, which is connected with Ishikawajima-Harima Heavy Industries of Japan, has almost halved over three months.

The quarter's best performer in the Asia Pacific region was Australia, which made a local currency loss of only 8.3 per cent thanks to its supply of gold and other resources. The same story helped Canada and South Africa fall only 8.1 per cent and 10.2 per cent, respectively, on the quarter; the US was relatively strong, with a 14.7 per cent decline, while Mexico's and Norway's oil reserves helped them to produce the world's best performances – declines of only 1.6 and 1.9 per cent, respectively.

Japan may have been the worst performer of the year with a drop of 47.2 per cent, but continental Europe provided the worst market performances of the week, the month and the quarter.

Sweden, which was looking good for seven months, lost its winnings in August; Mr Brian Knox of Kleinwort Benson comments that the oil price rises had come at the worst possible time for its shaky domestic economy.

It continued to decline in September, but last week it was threatening to go into free fall, as equity trading was halted in seven finance companies with problems associated with the collapse of the UK commercial property market.

Over the month and the quarter, Sweden was edged out of the bottom place by Austria. Ms Rebecca Winnington-Ingram, of Barclays de Zoete Wedd, contrasts this with the position at March 30, when a rise of 54 per cent on the first quarter of 1990 left the bourse up 125 per cent over 12 months.

The *Ostphantasie* surrounding prospects in eastern Europe was exaggerated then by the illiquidity of the Vienna bourse; investors around the world wanted Austrian shares, and could not get them.

Ms Winnington-Ingram says: "Now there is the threat of eastern Europe being thrashed by higher oil prices, without its supplies of subsidised oil from the Soviet Union." Vienna's illiquidity has been working decidedly to its disadvantage.

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1990	Start of 1990	Start of 1990
Austria	−6.25	−22.51	−6.95	−8.61	−15.09	−1.35
Belgium	−1.94	−11.02	−27.78	−25.23	−28.95	−17.46
Denmark	−4.40	−9.60	−3.44	−11.96	−16.56	−3.05
Finland	−2.76	−14.82	−27.03	−28.27	−32.93	−22.08
France	−2.35	−11.32	−25.71	−26.72	−30.41	−19.14
W. Germany	−7.08	−17.96	−16.59	−24.14	−29.47	−18.06
Ireland	−2.29	−8.64	−27.94	−30.24	−33.81	−23.10
Italy	−0.81	−11.63	−26.58	−23.54	−28.81	−17.28
Netherlands	−4.60	−6.49	−18.47	−18.12	−23.70	−11.35
Norway	−6.60	−7.35	+13.11	+12.11	+4.91	+21.90
Spain	−4.90	−18.76	−37.28	−29.39	−32.16	−21.18
Sweden	−13.14	−21.29	−21.71	−23.40	−29.16	−17.69
Switzerland	−6.22	−12.72	−25.67	−23.92	−22.23	−9.64
UK	−1.49	−8.30	−15.89	−19.31	−19.31	−6.25
EUROPE	−3.40	−11.51	−19.96	−21.89	−24.49	−12.27
Australia	−2.08	−7.28	−17.12	−14.44	−23.07	−10.62
Hong Kong	−5.61	−10.71	−3.76	−4.21	−17.10	−3.68
Japan	−10.94	−20.33	−44.09	−47.22	−52.75	−45.11
Malaysia	−9.73	−14.97	−9.65	−20.06	−31.25	−20.12
New Zealand	−2.44	−11.66	−34.96	−24.95	−33.00	−22.17
Singapore	−6.93	−16.41	−18.86	−22.84	−28.48	−16.91
Canada	−1.38	−4.53	−16.39	−16.36	−27.69	−16.21
USA	−1.73	−5.24	−12.96	−13.77	−25.79	−13.77
Mexico	−5.35	−6.39	+73.35	+59.39	+27.25	+47.84
South Africa	−1.31	−8.06	+1.33	−7.72	−27.18	−15.39
WORLD INDEX	−5.26	−12.19	−26.98	−29.32	−36.65	−26.39

† Based on September 28th 1990. Copyright, The Financial Times Limited, Goldman, Sachs & Co., and County NatWest Securities Ltd.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY OCTOBER 1 1990								FRIDAY SEPTEMBER 28 1990					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1990 High	1990 Low	Year ago (approx)
Australia (78)	135.45	+0.1	106.28	117.22	109.26	108.38	−0.6	7.04	135.30	107.07	118.24	110.16	109.02	158.31	125.85	156.01
Austria (19)	186.01	+3.5	145.95	160.97	150.04	149.95	+2.6	1.82	179.74	142.24	157.06	146.34	146.16	285.63	178.57	160.85
Belgium (61)	130.04	+1.9	102.04	112.52	104.89	102.62	+1.1	5.64	127.66	101.02	111.55	103.93	101.53	160.02	126.67	142.65
Canada (120)	128.36	+0.7	100.72	111.07	103.53	107.12	+0.3	3.74	127.51	100.90	111.42	103.81	106.76	153.61	127.51	151.17
Denmark (33)	239.36	+1.9	187.81	207.14	193.07	192.97	+1.1	1.54	234.84	185.84	205.23	191.20	190.85	277.82	234.05	197.84
Finland (26)	104.98	+1.1	82.38	90.86	84.69	81.17	+0.1	3.37	103.87	82.20	90.78	84.57	81.12	152.29	103.43	125.95
France (123)	130.47	+3.4	102.37	112.90	105.23	106.42	+2.6	3.86	126.17	99.84	110.25	102.71	103.76	168.85	124.98	136.72
West Germany (92)	107.85	+6.4	84.63	93.34	86.99	86.99	+5.4	2.58	101.38	80.23	88.61	82.54	82.54	144.63	101.38	101.08
Hong Kong (48)	114.08	+1.1	89.51	98.72	92.02	113.66	+1.1	5.80	112.82	89.28	98.59	91.85	112.43	147.49	112.24	116.82
Ireland (17)	139.24	−0.3	109.25	120.49	112.31	113.37	−1.3	4.61	139.61	110.48	122.01	113.67	114.87	198.57	139.04	158.86
Italy (91)	83.04	+2.0	65.15	71.85	66.98	72.14	+1.2	3.38	81.42	64.43	71.15	66.29	71.28	109.26	80.87	93.73
Japan (454)	106.58	−1.6	83.62	92.23	85.96	92.23	−2.6	0.92	108.36	85.75	94.70	88.24	94.70	197.26	106.58	192.03
Malaysia (35)	183.16	+0.1	143.72	158.50	147.74	190.29	+0.0	3.19	182.96	144.78	159.88	148.95	190.29	250.89	182.96	203.03
Mexico (13)	472.68	−1.8	370.80	408.94	381.18	1499.91	−1.7	0.35	481.19	380.79	420.51	391.76	1525.70	561.41	324.53	307.96
Netherland (42)	130.62	+2.4	102.49	113.04	105.37	104.27	+1.5	5.46	127.56	100.95	111.48	103.86	102.78	149.08	127.56	129.33
New Zealand (16)	56.85	+1.3	44.61	49.20	45.86	48.70	+0.7	7.14	56.11	44.41	49.04	45.69	48.36	75.36	55.82	81.63
Norway (28)	245.68	+0.9	192.78	212.61	198.18	200.83	+0.1	1.54	243.61	192.78	212.90	198.35	200.56	276.79	202.34	184.41
Singapore (25)	148.47	+0.8	116.49	128.48	119.75	120.42	+0.6	3.47	147.24	116.52	128.67	119.87	119.72	209.24	147.24	161.89
South Africa (60)	161.73	−2.7	126.90	139.95	130.45	137.02	−2.4	4.23	166.26	131.58	145.31	135.37	140.33	251.39	161.73	160.24
Spain (42)	131.90	+2.8	103.49	114.14	106.39	97.13	+1.8	5.68	128.54	101.72	112.33	104.65	95.43	182.25	126.54	167.67
Sweden (27)	170.39	+7.8	133.69	147.45	137.44	144.34	+7.0	2.81	158.07	125.09	138.14	128.70	134.65	234.93	158.07	181.36
Switzerland (65)	88.54	+4.2	69.48	76.63	71.43	70.76	+3.4	3.00	85.00	67.26	74.28	69.21	68.43	109.77	85.00	89.91
United Kingdom (300)	152.87	+2.7	119.95	132.27	123.29	119.95	+1.9	5.80	148.78	117.74	130.01	121.12	117.74	178.16	139.87	152.50
USA (534)	127.01	+3.0	99.65	109.91	102.45	127.01	+3.0	3.89	123.35	97.61	107.80	100.43	123.35	148.95	121.30	142.63
Europe (966)	129.17	+3.4	101.35	111.78	104.20	102.79	+2.5	4.53	124.91	98.85	109.16	101.70	100.24	157.65	124.91	130.91
Nordic (114)	179.22	+4.0	140.62	155.09	144.56	142.22	+3.2	2.12	172.38	136.41	150.64	140.34	137.82	223.29	172.38	167.25
Pacific Basin (656)	107.82	−1.5	84.60	93.31	86.97	93.41	−2.4	1.39	109.42	86.59	95.62	89.09	95.66	192.75	107.82	187.73
Euro−Pacific (1622)	116.82	+0.7	91.66	101.08	94.22	98.09	−0.2	2.81	116.03	91.82	101.39	94.46	98.30	174.18	116.03	165.10
North America (654)	127.00	+2.8	99.65	109.91	102.46	125.71	+2.8	3.88	123.52	97.74	107.95	100.58	122.29	148.43	121.59	143.04
Europe Ex. UK (666)	114.22	+3.9	89.62	98.86	92.15	92.50	+3.0	3.82	109.94	87.00	96.09	89.52	89.78	145.82	109.94	116.90
Pacific Ex. Japan (202)	121.79	+0.5	95.56	105.41	98.25	104.47	+0.1	6.26	121.14	95.87	105.88	98.64	104.38	146.72	121.14	136.17
World Ex. US (1815)	117.86	+0.6	92.48	102.00	95.07	99.15	−0.2	2.85	117.12	92.68	102.36	95.36	99.38	173.77	117.12	164.66
World Ex. UK (2049)	116.87	+1.3	91.70	101.14	94.28	105.56	+0.8	2.90	115.37	91.29	100.82	93.94	105.72	162.00	115.37	156.04
World Ex. So. Af. (2289)	119.82	+1.5	94.01	103.69	96.65	107.69	+0.9	3.22	118.04	93.41	103.17	96.11	106.66	161.84	118.04	155.68
World Ex. Japan (1895)	128.27	+2.9	100.64	111.01	103.48	116.37	+2.5	4.23	124.69	98.67	108.97	101.53	113.53	151.58	124.31	138.55
The World Index (2349)	120.07	+1.5	94.21	103.91	96.86	107.89	+0.9	3.23	118.33	93.64	103.42	96.35	106.91	162.05	118.33	155.71

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Malaysian market closed October 1. Finnish prices were unavailable October 1.
Constituent changes 2/10/90: Deletions: Nixdorf Computers (W.Germany) and Mack Trucks (US).